

# EXECUTIVE SUMMARY

## Audit Recommendations Tracking Report As of December 31, 2002

Report No. TR-02-02, May 30, 2003

### Summary

The Office of the Public Auditor (OPA) maintains an audit recommendations tracking system to monitor implementation and resolution of audit recommendations. On a semi-annual basis, OPA issues its Report on CNMI Agencies' Implementation of Audit Recommendations (Audit Recommendations Tracking Report) which presents the audited agencies' compliance with OPA's recommendations.

Open and resolved audit recommendations are included in OPA's tracking system report. In addition, we have also included recommendations which were closed during the past six months. An *open* recommendation is one where no action or plan of action has been made, or no time frame for the plan of action has been provided by the client (department or agency). A *resolved* recommendation is one in which OPA is satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame for action. Also, we have considered open or resolved recommendations as *delinquent* if the recommendation has been outstanding for at least 180 days and we have not been informed by the concerned agency or department of any action being taken to close the recommendations.

For the year 2002, OPA issued 4 audit reports to the Commonwealth Utilities Corporation, Tinian Casino Gaming Control Commission, Commonwealth Development Authority, and the Department of Labor and Immigration which set forth a total of 13 recommendations added into the tracking system. The 13 recommendations were in addition to the 112 recommendations outstanding at the beginning of the year, making a total of 125 recommendations tracked for the year. Of the 125 audit recommendations, 44 were closed and 81 remained either open or resolved. Of the 81 open or resolved recommendations, 56 were considered delinquent.

The table below presents the status of OPA's audit recommendations for the year 2002.

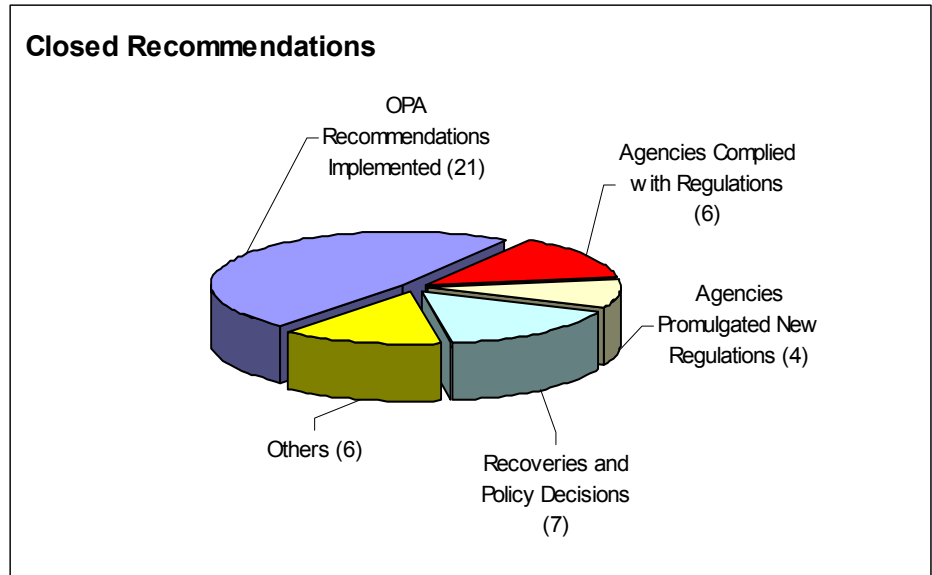
Status of Audit Recommendations	Year 2002
Number of Audit Reports Issued, January to December 2002	4
Outstanding Recommendations, Beginning of Year	112
Recommendations Made, January to December 2002	13
Total Recommendations Tracked for the Year	125
Less: Closed Recommendations	(44)
Outstanding Recommendations as of December 31, 2002 (Open or Resolved)	81
Number of Delinquent Recommendations	56

An analysis of the 44 closed recommendations for the year 2002 showed that most were closed because agencies acted by implementing policies and procedures, and by issuing memoranda and directives to reemphasize the need to comply with existing laws and regulations.



The chart below shows a breakdown of actions taken by the agencies to close the 44 recommendations.

Recommendations issued by private CPA firms are also included in OPA's audit



recommendations tracking report. OPA is not responsible for tracking the implementation of these recommendations, however, they are included in the audit tracking report for information purposes. Based on the classification followed by private CPA firms, a recommendation is described as either *resolved* or *unresolved*. OPA has included in the tracking report a total of 353 recommendations in 25 audit reports issued by private CPA firms. Of the 353 recommendations, 29 were considered resolved leaving a balance of 324 recommendations still outstanding.

For the year 2002, OPA issued eight procurement reports, *i.e.*, decisions on appeals and requests for reconsideration, as well as eight compilation reports.

In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals and entities in the audits are not disclosed in this report.



A copy of the entire report is available at the Office of the Public Auditor, or through OPA's Website

Michael S. Sablan, CPA  
Public Auditor  
Commonwealth of the Northern Mariana Islands  
Web Site: [www.opacnmi.com](http://www.opacnmi.com)

P.O. Box 501399  
Saipan, MP 96950  
Tel. No. (670) 322-6481  
Fax No. (670) 322-7812

Report on CNMI Agencies' Implementation of  
**Audit Recommendations**  
As of December 31, 2002

Office of the Public Auditor  
Commonwealth of the Northern Mariana Islands





# Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

World Wide Web Site: <http://opacnmi.com>

1236 Yap Drive

Capitol Hill, Saipan, MP 96950

Mailing Address:  
P.O. Box 501399  
Saipan, MP 96950

E-mail Address:  
[mail@opacnmi.com](mailto:mail@opacnmi.com)

Phone: (670) 322-6481  
Fax: (670) 322-7812

**REPORT ON CNMI AGENCIES'  
IMPLEMENTATION OF AUDIT RECOMMENDATIONS  
AS OF DECEMBER 31, 2002  
(with agency responses up to May 22, 2003 incorporated)**

May 30, 2003

Interagency Audit Coordinating Advisory Group  
Saipan, MP 96950

Enclosed is a copy of the report on CNMI agencies' implementation of audit recommendations included in audit reports issued by the Office of the Public Auditor (OPA) as of December 31, 2002. OPA tracked a total of 125 recommendations during the period from January 1 through December 31, 2002.

We have also included in this report recommendations issued by private Certified Public Accounting (CPA) firms. OPA is not responsible for tracking the implementation of these recommendations, however, they are included in the audit tracking report for information purposes. As of December 2002, there was a total of 353 recommendations in 25 audit reports issued by private CPA firms.

For the year 2002, OPA issued eight procurement reports, *i.e.*, decisions on appeals and requests for reconsideration as well as eight compilation reports.

Although the Coordinating Group members did not meet in 2002, OPA again issued follow-up letters and/or called various government agencies with outstanding audit recommendations as of December 31, 2002. Meetings on various dates were also held with government agencies to discuss and clarify actions to be taken to close outstanding recommendations. Also, a copy of agency responses to the CNMI Single Audit and other audit recommendations were provided to the Independent Auditor who conducted the audit to determine if the actions taken were sufficient to consider the recommendations resolved or closed. This report incorporates the results of those meetings and agency responses to follow-up letters which OPA received on or

before May 22, 2003. The meetings and response letters received resulted in the closure of 44 audit recommendations. Also, some recommendations made by an Independent Auditor were considered resolved or closed through OPA's follow-up with two agencies which were reflected in its most recent audit report for the two agencies.

In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals and entities in the audits are not disclosed in this report.

Sincerely,



Michael S. Sablan, CPA  
Public Auditor

cc: Governor Juan N. Babauta  
Lt. Governor Diego T. Benavente  
Members, Thirteenth CNMI Legislature (27 copies)  
Local Media

# Table of Contents

<b>Introduction</b> .....	<b>v</b>
<b>Status of Audit Recommendations</b> .....	<b>vii</b>
<b>Executive Branch Offices and Departments</b> .....	<b>1</b>
<b>Office of the Governor</b> .....	<b>2</b>
Audit of Procurement of Professional Services by the Office of the Special Assistant for Drug and Substance Abuse (AR-97-11) .....	2
Audit of the Maintenance and Use of the Challenger Since its Purchase in 1995 (LT-01-02) .....	3
<b>Finance</b> .....	<b>5</b>
Abuse of Government Time by a Technical Financial Analyst (LT-98-07) .....	5
Audit of Misuse of Funds by the Former Secretary of Finance (AR-98-06) .....	7
Audit of Double Payments of 1995 Corporate Tax Rebates to Eleven Taxpayers in Fiscal Year 1997 (LT-00-02) .....	8
Audit of Government Revenues from the CNMI Lottery Operations For the Fourth Quarter of Fiscal Year 1999 (LT-01-06) .....	9
<b>Lands and Natural Resources</b> .....	<b>11</b>
Division of Fish and Wildlife, Audit of Two DFW Employees' Time and Attendance and Whether their Arrangement with DFW was Consistent with the Pacific Islands Education Initiative (LT-00-04) .....	11
DLNR, Audit of Agreement with a Submerged Land Lessee for Operating the Outer Cove Marina from May 1993 to October 1998 (AR-01-02) .....	12
<b>Public Health</b> .....	<b>15</b>
Rota Health Center Director's Claims Against the Rota Health Center (AR-97-06) .....	15
Developmental Disabilities Council, Audit and Investigation of Misuse of Funds and Resources of DDC (AR-97-07) .....	17
Audit of DPH's Granting of Unequal Salaries to Social Worker Employees (LT-99-06) .....	19
<b>Public Safety</b> .....	<b>21</b>
Bureau of Motor Vehicles, Driver's Licensing and Vehicle Registration Activities (AR-94-05) .....	21
Audit of the Department of Public Safety's Confidential Informant Fund And Prostitution Fund for Fiscal Year Ended September 30, 1999 (LT-01-08) .....	22
<b>Public Works</b> .....	<b>24</b>
Audit of the Land Survey Contract for the Tinian Road Resurfacing Project for Fiscal Year 1997 (AR-00-01) .....	24
<b>Department of Labor and Immigration</b> .....	<b>26</b>
Audit of DOLI Tinian Long Distance Telephone Charges, January 1998 through June 2000 (AR-02-04) .....	26

**Municipalities** . . . . .

    Rota . . . . . 28  
        Office of the Mayor, Audit of Compliance with Authorized Number of  
        Full Time Employee Positions (LT-98-11) . . . . . 28

    Tinian . . . . . 30  
        Investigation of a Motor Vehicle Leased by the Tinian Mayor's Office (LT-95-06) . . . . . 30  
        Office of the Mayor, Audit of Operations (AR-96-01) . . . . . 31

**CNMI-Wide Audits** . . . . . **33**

    Executive Branch Contracts  
        Audit of Professional Services Contracts from October 1991 to July 1995 (AR-97-05) . . . . . 34  
        Audit of Professional Services Contracts from October 1, 1995  
        to May 4, 1998 (AR-99-04) . . . . . 37

    CNMI Government Compliance Audits  
        Review of CNMI's Compliance with Government Vehicle Act and  
        Regulations (AR-98-02) . . . . . 41  
        Audit of CNMI Government Employees' Time and Attendance,  
        July 1995 to June 1997 (AR-98-03) . . . . . 43  
        Compilation of CNMI Government-Paid Travel for Fiscal Year 1997 (LT-00-01) . . . . . 45

**Autonomous Agencies** . . . . . **47**

    Commonwealth Development Authority . . . . . 48  
        Audit on Procurement and Costs of Renovating the CDA's  
        Leased Building (AR-00-02) . . . . . 48  
        Audit of Loans Receivables as of September 30, 2001 (AR-02-03)

    Commonwealth Ports Authority . . . . . 52  
        Audit of Board-Related Transactions and Purchase of Vehicles for the  
        Department of Public Works (AR-95-17) . . . . . 52  
        Audit of the Compensatory Time Claimed and Retirement Benefits Paid to Two  
        Former Officials of the CPA (AR-00-03) . . . . . 53

    Commonwealth Utilities Corporation . . . . . 59  
        Audit of Advances to the Former Executive Director (AR-95-12) . . . . . 59  
        Audit of Travel of the Board of Directors, Key Management and Other  
        CNMI Government Officials from October 1999 through March 2001 (LT-01-07) . . . . . 60  
        Audit of Small Purchases, October 1999 through March 31, 2001 (AR-02-01) . . . . . 62

    Marianas Public Lands Authority (formerly Division of Public Lands) . . . . . 65  
        Division of Public Lands, Audit of Credit Card and Related Travel  
        Transactions (AR-95-18) . . . . . 65  
        Division of Public Lands, Audit of the Saipan Fishing Center and the Lease of the  
        Garapan Fishing Base (AR-96-05) . . . . . 68

Audit of Collection of Rentals on Land Leases with Quarries For Six Lease Years from 1990 to 1995 (AR-00-04) .....	69
<b>Northern Mariana Islands Retirement Fund .....</b>	<b>75</b>
NMIRF, Audit and Investigation of Health Insurance Payments to a Physical Therapy Clinic For Physical Therapy Services June 1993 to December 1999 (AR-01-01) .....	75
NMIRF, Audit of Travel Outside the CNMI from October 1996 through March 2000 (LT-01-04) .....	76
NMIRF, Audit of Billings for a Professional Services Contract During the Period October 1, 1996 through February 29, 2000 (LT-01-05) .....	77
<b>Public School System .....</b>	<b>79</b>
Travel of Former Recreational Therapist/Adaptive Physical Education Specialist (AR-97-03) .....	79
Follow-up Audit of Marianas High School Student Funds, August 1991 to September 1992 (LT-98-14) .....	80
Audit of the WSR School and 50 <sup>th</sup> Golden Jubilee Funds, October 1994 to October 1996 (AR-99-01) .....	80
Audit of Property and Equipment of Hopwood Junior High School (LT-00-07) .....	81
Audit of the Marianas High School Food Court Covering School Year 1998-1999 (AR-00-05) .....	82
<b>Tinian Casino Gaming Control Commission .....</b>	<b>84</b>
Audit of Consultant's Contract for Fiscal Year 1997 (AR-99-03) .....	84
Audit of Travel Transactions, Fiscal Years 1996 - 2001 (AR-02-02) .....	85
 <b>Washington Representative's Office .....</b>	 <b>89</b>
Washington Representative's Office .....	90
WRO, Verification of Expenses and Review of Selected Administrative Practices Fiscal Years 1995 and 1996 (AR-99-02) .....	90
 <b>Independent Auditor's Report on Internal and Compliance .....</b>	 <b>93</b>
Commonwealth of the Northern Mariana Islands .....	95
Annual Financial & Compliance Audit, FY Ended 9/30/00 .....	95
Annual Financial & Compliance Audit, FY Ended 9/30/99 .....	104
Commonwealth Development Authority .....	109
Annual Financial & Compliance Audit, FY Ended 9/30/01 .....	109
Annual Financial & Compliance Audit, FY Ended 9/30/00 .....	111
Commonwealth Government Employees Credit Union .....	113
Annual Financial & Compliance Audit, FY Ended 12/31/97 .....	113
Commonwealth Ports Authority .....	114
Annual Financial & Compliance Audit, FY Ended 9/30/01 .....	114
Annual Financial & Compliance Audit, FY Ended 9/30/00 .....	115
 Commonwealth Utilities Corporation .....	 116
Annual Financial & Compliance Audit, FY Ended 9/30/98 .....	116



Annual Financial & Compliance Audit, FY Ended 9/30/97 ..... 123

Northern Marianas College ..... 127

    Annual Financial & Compliance Audit, FY Ended 9/30/00 ..... 127

    Annual Financial & Compliance Audit, FY Ended 9/30/99 ..... 132

    Annual Financial & Compliance Audit, FY Ended 9/30/98 ..... 139

    Annual Financial & Compliance Audit, FY Ended 9/30/97 ..... 147

    Annual Financial & Compliance Audit, FY Ended 9/30/95 ..... 151

    Annual Financial & Compliance Audit, FY Ended 9/30/94 ..... 152

Northern Mariana Islands Government Health and Life

    Insurance Trust Fund ..... 158

    Annual Financial & Compliance Audit, FY Ended 9/30/01 ..... 158

Northern Mariana Islands Retirement Fund ..... 159

    Annual Financial & Compliance Audit, FY Ended 9/30/01 ..... 159

Marianas Public Lands Authority ..... 160

    Annual Financial & Compliance Audit, FY Ended 9/30/01 ..... 160

Public School System ..... 164

    Annual Financial & Compliance Audit, FY Ended 9/30/00 ..... 164

    Annual Financial & Compliance Audit, FY Ended 9/30/99 ..... 169

    Annual Financial & Compliance Audit, FY Ended 9/30/98 ..... 177

    Annual Financial & Compliance Audit, FY Ended 9/30/97 ..... 187

Worker's Compensation Commission ..... 192

    Annual Financial & Compliance Audit, FY Ended 9/30/01 ..... 192

**Appendix A - Acronyms Used ..... 193**

**Index ..... 196**

# Introduction

---

## Background



The provisions of 1 CMC §2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) consisting of the presiding officer and minority leader of each house of the Legislature, the Secretary of Finance, and the Special Assistant for Management and Budget. According to the law, the Coordinating Group is to review all audit reports of the Public Auditor, and the Public Auditor will discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall also recommend to the Governor and to the Legislature any changes in laws or regulations which it finds necessary or desirable as a result of its work with the Public Auditor.

In early 1999, the former Governor appointed the former Secretary of the Department of Finance as the Chairperson of the Coordinating Group. The former Secretary of the Department of Commerce was also named a member of the Coordinating Group to help pursue closure of open and resolved recommendations. On March 10, 1999, the former Governor issued a memorandum advising all Department and Activity Heads to provide assistance to the Coordinating Group in resolving all outstanding recommendations.

In early 2000, the Coordinating Group met and decided to follow-up on the actions taken by various government agencies to address OPA's outstanding audit recommendations by scheduling meetings with each Department Head. Starting September 2000, meetings were held by the Coordinating Group to discuss actions which could be taken to close the outstanding recommendations pertaining to government agencies under the Executive Branch of the Government which include, among others, the Department of Public Safety, the Department of Community and Cultural Affairs, the Department of Lands and Natural Resources, the Attorney General's Office, the Department of Public Health, the Department of Finance and the Department of Public Works.

The Coordinating Group members did not meet with OPA and agency heads in 2001. OPA, however, sent follow-up letters and/or called various government agencies asking them what actions were taken toward addressing the outstanding recommendations. OPA met on various dates with government agencies such as the Commonwealth Development Authority, the Commonwealth Ports Authority, the Department of Community and Cultural Affairs, the Department of Finance, the Department of Lands and Natural Resources, the Department of Public Safety, the Department of Public Works, the Emergency Management Office, the Medical Referral Office, the Northern Mariana Islands Retirement Fund, the Office of the Governor, the Office of Management and Budget, the Public School System, the Saipan Mayor's Office, the Tinian Casino Gaming Control Commission, and the Washington Representative's Office, to discuss and clarify actions to be taken to close outstanding recommendations.

On March 13, 2002, the then-Acting Governor issued a letter to the Senate President, Speaker of the House, and the then-Acting Secretary of Finance to remind them of their membership on the Coordinating Group. The Acting Governor also requested the Senate President and the Speaker of the House to designate a "minority leader" in each house in order to enable the Coordinating Group to perform its statutory tasks. In a letter dated March 27, 2002, the three Senators from Saipan informed the Senate President that the minorities of the Senate, 13<sup>th</sup> CNMI Legislature, had elected a Minority Leader for the Senate. On April 11, 2002, the House Speaker issued a letter appointing a Minority Leader for the House to serve as a member on the Coordinating Group.

Although the Coordinating Group members did not meet in 2002, OPA again issued follow-up letters and/or called various government agencies with outstanding audit recommendations as of December 31, 2002. Meetings on various dates were also held with government agencies such as the Department of Community and Cultural Affairs, the Commonwealth Utilities Corporation, the Division of Fish and Wildlife, the Legislature, the Northern Mariana Islands Retirement Fund, and the Attorney General's Office to discuss and clarify actions to be taken to close outstanding recommendations. Also, a copy of agency responses to the CNMI Single Audit and other audit recommendations were provided to the Independent Auditor who conducted the audit to determine if the actions taken were sufficient to consider the recommendations resolved or closed. This report incorporates the results of those meetings and agency responses to follow-up letters which OPA received on or before May 22, 2003. The meetings and response letters received resulted in the closure of 44 audit recommendations. Also, some recommendations made by an Independent Auditor were considered resolved or closed through OPA's follow-up with two agencies which were reflected in its most recent audit report for the two agencies. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals and entities in the audits are not disclosed in this report.

### **Audit Recommendations Tracking System**

OPA maintains an audit recommendations tracking system to monitor implementation and resolution of audit recommendations.

Open and resolved audit recommendations are included in OPA's tracking system report. In addition, we have also included recommendations which were closed during the past six months. An *open* recommendation is one where no action or plan of action has been made, or no time frame for the plan of action has been provided by the client (department or agency). A *resolved* recommendation is one in which OPA is satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame for action. Also, we have considered open or resolved recommendations as *delinquent* if the recommendation has been outstanding for at least 180 days and we have not been informed by the concerned agency or department of any action being taken to close the recommendations.

# Status of Audit Recommendations

**F**or the year 2002, OPA issued 4 audit reports to the Commonwealth Utilities Corporation, Tinian Casino Gaming Control Commission, Commonwealth Development Authority, and the Department of Labor and Immigration which set forth a total of 13 recommendations added into the tracking system. The 13 recommendations were in addition to the 112 recommendations outstanding at the beginning of the year, making a total of 125 recommendations tracked for the year. Of the 125 audit recommendations, 44 were closed and 81 remained either open or resolved. Of the 81 open or resolved recommendations, 56 were considered delinquent.

The following table presents a comparative schedule of the status of all our audit recommendations for calendar years 2001 and 2002.

Status of Audit Recommendations	2001	2002	Increase (Decrease)
Number of Audit Reports Issued During the Year	10	4	(6)
Outstanding Recommendations, Beginning of Year	162	112	(50)
Recommendations Made During the Year	37	13	(24)
Total Recommendations Tracked for the Year	199	125	(74)
Less: Closed Recommendations	(87)	(44)	(43)
Outstanding Recommendations, End of Year (Open or Resolved)	112	81	(31)
Number of Delinquent Recommendations	47	56	9

The meetings held with some government agencies and response letters received from various other government agencies resulted in closure of recommendations and encouraged agency action on delinquent recommendations. OPA closed 44 or 35 percent of the 125 recommendations it tracked in 2002. The number of delinquent recommendations, however, increased by 19 percent as of December 31, 2002.

## Independent Auditor's Report

We have also included in this report recommendations issued by private Certified Public Accountant (CPA) firms. OPA is not responsible for tracking the implementation of these recommendations, however, they are included in the audit tracking report for information purposes. Because OPA is responsible for overseeing all audits of the CNMI government, follow-up procedures are also conducted for these recommendations to determine what actions have been taken by the individual agencies to implement the recommendations issued by private CPA firms. A copy of the agencies' responses is subsequently provided to the Independent Auditor who conducted the audit to determine whether the agencies' responses are sufficient to consider the recommendations resolved. Based on the classification followed by private CPA firms, a recommendation is described as either *resolved* or *unresolved*.

OPA has included in the tracking report a total of 353 recommendations in 25 audit reports issued by private CPA firms. Of the 353 recommendations, 29 were considered resolved leaving a balance of 324 recommendations still outstanding.

**Other OPA Reports**

In 2002, OPA issued eight procurement reports, *i.e.*, decisions on appeals and requests for reconsideration, as well as eight compilation reports.

The following table presents a comparative schedule of other reports issued by OPA during calendar years 2001 and 2002.

Other Reports	2001	2002	Increase (Decrease)
Procurement Reports (decision on appeals, request for reconsideration)	7	8	1
Special Reports (management letters, testimonies, compilation, surveys)	7	8	1
Number of Special Reports Issued During the Year	14	16	2

Procurement reports issued include five appeal decisions and three requests for reconsideration on the following: (1) procurement of the design and development of the CNMI Customs Tax Automation Computer Maintenance Services, (2) procurement for maintenance of BGR and EWR CNMI tax subsystems, (3) procurement for the A & E design of the Veteran's Cemetary, (4) procurement of medical manpower services for the Commonwealth Health Center, (5) response to a request for reconsideration of OPA's decision on the Susupe Sports Complex parking lot procurement matters, (6) response to a request for reconsideration of OPA's decision on the design and development of the CNMI Customs Tax Automation Computer Maintenance Services procurement matters, and (7) response to a request for reconsideration of OPA's decision on the maintenance of BGR and EWR CNMI tax subsystems procurement matters .

Special compilation reports issued pertained to the following: (1) government deposits in banks and financial institutions, (2) Law Revision Commission reprogramming authority and actions, (3) applicability of the salary ceiling to the CNMI Executive Branch, (4) Kagman Elementary School project, (5) Department of Public Safety Confidential Informant Funds for fiscal years 2000 and 2001, (6) A&E services for the design of the upgrade (phase II) of the Saipan Beach Road Sewer System, (7) Hawaii Pacific Medical Referral Contract, and (8) procurement of the Commonwealth Utilities Corporation's proposed 80/60 megawatts power plant project for fiscal years 1997 to 2001.

## Closed Recommendations

An analysis of the 44 closed recommendations for the year 2002 showed that most were closed because agencies acted by implementing policies and procedures, and by issuing memoranda and directives to reemphasize the need to comply with existing laws and regulations. The following table shows a breakdown of actions taken by the agencies to close the 44 recommendations.

Actions Taken to Close Recommendations	No. of Closed Recommendations
Implementation of Recommendation; Alternative Actions Taken; Drafting Policies and Procedures; and Issuance of Memoranda	21
Provided Proof of Compliance with Time and Attendance	5
Adoption of Personnel Rules and Regulations	4
Policy Decisions	6
Provided Proof of Compliance with Vehicle Regulations	1
Recovery of Monies Improperly Disbursed	1
To be Addressed in Separate On-going Audit	1
Dropped by OPA due to passing of Statute of Limitations, employees in question no longer working for the office, and further analysis made based on subsequent OPA report	5
<b>Total for the Year</b>	<b>44</b>

## Delinquent Recommendations

Delinquent recommendations increased by 9 (19%) from 47 in 2001 to 56 in 2002.

Year	2001	2002	Increase (Decrease)
1994	0	3	3
1995	5	6	1
1996	0	2	2
1997	2	8	6
1998	12	6	(6)
1999	5	6	1
2000	20	17	(3)
2001	3	8	5
<b>Total</b>	<b>47</b>	<b>56</b>	<b>9</b>

**Table 1 - Delinquent Recommendations**

Below is an aging of the 56 delinquent recommendations issued in years 1994 to 2001:

Agency to Act	Year Report Was Issued								Total
	1994	1995	1996	1997	1998	1999	2000	2001	
1. Attorney General's Office		4	1	3	3	2	3		15
2. Department of Finance			1	3		1	3	2	10
3. Public School System				2	1	2	5		10
4. Northern Mariana Islands Retirement Fund							2	5	7
5. Department of Public Safety	3							1	4

Agency to Act	Year Report Was Issued								Total
	1994	1995	1996	1997	1998	1999	2000	2001	
6. Rota Municipal Council					3				3
7. Commonwealth Utilities Corporation		2							2
8. Board of Marianas Public Lands Authority							2		2
9. Commonwealth Development Authority							1		1
10. Department of Public Health						1			1
11. Office of the Governor							1		1
Number of Delinquent Recommendations	3	6	2	8	6	6	17	8	56

### **AGO action needed for recovery of at least \$1,128,024**

As of December 31, 2002, recommendations in 12 audit reports were referred to the Attorney General's Office (AGO) for legal action to recover monies improperly expended. According to OPA's audit reports described in the following table, approximately \$1,128,024 is potentially recoverable. (OPA requested on August 12, 2002, October 3, 2002, and February 14, 2003 an update of its referrals to the AGO. On May 13, 2003, OPA met with the AGO to discuss the status of our referrals. In the meeting, OPA was informed that an agreement was entered into with the former DOF Technical Financial Analyst in which a promissory note was signed to pay back the salary overpayments noted in Report No. LT-98-07. In AGO's response dated May 22, 2003, OPA was also informed that the Statute of Limitations had expired for two referral recommendations included in Report No. AR-97-07 pertaining to the unpaid balance of charges in personal calls, advances and retroactive salary increase for the former Executive Director of the Developmental Disabilities Council (DDC). However, OPA was informed that the statute pertaining to the advances could possibly be extended depending on when the payroll deductions for the travel advances occurred. As a result, OPA closed the recommendation pertaining to the retroactive salary increase and will conduct further analysis on the referral recommendation pertaining to the advances. Consequently, the amount recoverable from the former Executive Director of DDC was reduced from \$1,964 to \$1,200. Prior to the meeting with the AGO, OPA was also able to close one recommendation based on information provided by the Department of Finance and added an additional referral based on the recommendation of the Commonwealth Ports Authority. The amount recoverable for Report No. AR-00-01 was reduced from \$164,534 to \$100,000 in restitution pursuant to a decision issued by the United States District Court.)

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per AGO
1	AR-99-03 (4-7-99)	TCGCC - Legal action to recover overpayment of \$543,375 from the consultant on grounds of unjust enrichment, conversion, fraud and breach of fiduciary duty and recovery of \$195,971 from three other individuals for breach of fiduciary trust for total amount recoverable of \$739,346.	\$739,346	On December 31, 2001, civil action was filed against the consultant and three other individuals for unjust enrichment, conversion, fraud and breach of fiduciary duty.
2	AR-00-01 (4-13-00)	DPW - Recovery of \$164,534 in improper payments made to a surveying contractor and adverse action against contractor for misrepresentation relating to the Tinian road resurfacing project in 1997. Pursuant to a decision issued by the United States District Court, amount recoverable from the contractor is reduced to \$100,000 in restitution.	100,000	On April 2, 2002, the United States District Court's sentence imposed on the contractor was 8 months imprisonment and restitution of \$100,000.
3	AR-97-05 (3-20-97)	CNMI - Promissory note for \$96,100 on overpayment of two professional services contracts (Contract nos. C40113 and C50108) covering the period October 1, 1991 to July 20, 1995.	96,100	Partial recovery of \$4,200 leaving a balance of \$91,900 still to be recovered.
4	AR-98-06 (12-14-98)	DOF - Funds misused by the former Secretary of Finance during fiscal years 1995 to 1997.	75,000	AGO to file Motion for Summary Judgement in the civil action filed against the former Secretary of Finance.
5	AR-99-04 (10-28-99)	CNMI - Questionable payments on three professional services contracts (Contract nos. C70180, C70301, C70220) covering the period October 1, 1995 to May 4, 1998.	45,000	AGO does not intend to take any action to collect \$208,400 on contract nos. C70180 and C70301 due to jurisdictional issues involved; AGO proceeded with legal action for contract no. C70220.
6	AR-97-11 (8-12-97)	GOV - Office of the Special Assistant for Drug and Substance Abuse - Excess payment to a contractor for professional services rendered from March 27, 1996 to February 28, 1997.	21,365	AGO to determine if legal action will be taken to pursue collection.



	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per AGO
7	LT-98-07 (8-5-98)	DOF - Overpayment of salaries to a former Technical Financial Analyst for tardiness, absences and excess overtime for the period September 28, 1997 to March 28, 1998.	4,900	AGO informed OPA that the \$6,302 to be recovered was reduced by garnished bonus payment of \$1,402, leaving a balance of \$4,900. An agreement was also entered into with the Former Technical Financial Analyst in which a promissory note was signed to pay back the overpayment of salaries.
8	AR-97-06 (4-23-97)	DPH - Rota Health Center (RHC) - Recovery from the former RHC Director of amount taken from RHC funds and reimbursement for cost of a washing machine for the period December 1993 to March 1996.	4,982	AGO stated that the Statute of Limitations has passed on this matter. OPA requested AGO to document applicability of the Statute of Limitations to formally close the recommendation.
9	AR-97-07 (6-3-97)	DPH - Developmental Disabilities Council (DDC) - Recovery from the former DDC Executive Director of the unpaid balance of charges in personal calls, advances and retroactive salary increase as of July 1996.  Amount recoverable was reduced from \$1,964 to \$1,200 due to the running of the Statute of Limitations for the retroactive salary increase.	1,200	According to the AGO, the Statute of Limitations for the retroactive salary increase had expired, therefore, the referral recommendation pertaining to the retroactive salary increase was considered closed. For the personal calls and advances, AGO stated that the Statute of Limitations had also expired, however, the statute could possibly be extended depending on when the last payroll deduction for the travel advances occurred.
10	AR-96-05 (3-21-96)	MPLA - Recovery of rentals due from a restaurant and recovery from a lessor of all payments collected from a sublessee for the subleasing of the Saipan Fishing Center building as of October 31, 1995.	Unknown.	AGO to provide results of its review on the matter.
11	AR-95-18 (10-10-95)	MPLA - Double payment of travel expenses and overpaid per diem allowances to the former Executive Director and former Comptroller for the period September 1992 to September 1994.	Unknown.	AGO to provide documents on conveyance of property for debt settlement of former Executive Director and copy of judgement on lawsuit filed against former Comptroller.

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per AGO
12	AR-95-17 (10/2/95)	CPA - Legal action to recover the remaining balance of \$40,131 for improper reimbursement from the board members.	40,131	AGO to issue a determination on whether the recommendation should be pursued in court.
Total Amount Recoverable			\$1,128,024	

OPA also referred to AGO four audit reports to request legal opinion to (1) clarify issues relating to "Full Time Employment vacancies" and "transfers" (Report No. LT-98-11 issued on August 16, 1998), (2) determine whether a notice of debarment of a contractor from future government contracting is appropriate (Report No. AR-00-01 issued on April 13, 2000), (3) determine whether CDA has the statutory authority to promulgate its own regulations on procurement (Report No. AR-00-02 issued on July 10, 2000), and (4) determine propriety of CPA's practice of making advance payments of unused annual leave and salary, instead of complying with the provision in the employment contracts that payments will be made upon contract expiration and review the opinion provided by OPA regarding granting six designated officials 14 annual leave hours per pay period (Report No. AR-00-03 issued on July 20, 2000).

One audit report relating to the Outer Cove Marina operation was also referred to AGO to request for the status of the on-going negotiation between the CNMI government and the submerged land lessee (Report No. AR-01-02 issued on March 22, 2001).

One OPA claim previously referred to AGO was fully paid and now considered closed. OPA was provided a copy of the official cash receipt by DOF evidencing payment made by a former Acting Attorney General on September 9, 2002 for the remaining balance of \$8,474 pursuant to a claim included in our Audit of Professional Services Contract with the CNMI's Former Acting Attorney General (Report No. AR-98-05 issued on August 18, 1998).

### **Potential recovery of \$6.3 million hinges on agencies' actions**

Recommendations in sixteen audit reports identified potential recoveries due to unpaid rentals of land leases, overpayments in professional services contracts, outstanding advances, and improper expenditures of public funds. Recovery efforts by various agencies are ongoing to collect approximately \$6,321,514.

As of April 4, 2003, initial actions by agencies resulted in partial recovery of \$202,473, one claim of \$40,131 re-directed to AGO, and one claim of \$400 fully recovered leaving a balance of \$6,078,510 recoverable as shown in the following table.

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per Agency
1	AR-00-04 (11-22-00)	Board of Marianas Public Lands Authority - Collection of rentals from 8 quarry operators for six lease years from 1990 to 1995 totaling \$4,690,708, less \$946,968 write-off for one bankrupt quarry operator resulting in an amount recoverable of \$3,743,740.	\$3,743,740	\$108,628 was recovered from seven quarry operators.
2	AR-99-04 (10-28-99)	CNMI - Overpayments of \$87,096 on ten professional services contracts immediately recoverable of which \$11,000 was redirected to AGO (C70180 & C70149) and \$6,000 is not to be pursued (C60334), resulting in net amount recoverable of \$70,096; Various unsupported expenses for \$1,400,956 recoverable unless adequately supported by the contractors; total net amount recoverable of \$1,471,052.	1,471,052	Of the \$70,096 in net amount recoverable, partial recovery was \$61,794 (for C50305, C60114 and C60142), leaving a balance of \$8,302 (Contract Nos. C60196, C70156, C50388 and C60355)
3	AR-02-02 (9/11/02)	TCGCC - Audit of Travel Transactions for fiscal years 1996 - 2001. The potential recovery amount for outstanding advances of \$406,925 was reduced by \$14,672 leaving a balance of \$392,253 to be recovered.	392,253	Partial recovery of \$75.
4	AR-00-05 (12-14-00)	PSS - Recover Trust Fund money used for the operation of the MHS Food Court covering school year 1998-1999.	369,866	PSS to restore funds back to the Trust Fund.
5	AR-00-03 (7-20-00)	CPA - NMIRF to recover improper payments to two former CPA officials for retirement benefits and compensatory time claimed.	126,730	NMIRF started withholding 50% of the former CPA Executive Director's semi-monthly pension; written settlement plan required for the former CPA Security Chief.
6	AR-98-06 (12-14-98)	DOF - Funds misused by the former Secretary of Finance from fiscal years 1995 to 1997.	56,462	\$56,462 is the total restitution ordered by the Federal Court.
7	AR-95-18 (10-10-95)	MPLA - Double payment of travel expenses and overpaid per diem allowances to the former Board Chairman, Tinian board member and Rota board member for the period September 1992 to September 1994.	52,977	Partial recovery of \$17,800.
8	AR-95-17 (10-2-95)	CPA - Improper disbursements from the board members covering selected board-related transactions from fiscal years 1991 to 1994.	42,191	Partial recovery of \$2,060; remaining balance of \$40,131 was re-directed to AGO for recovery.
9	AR-97-05 (3-20-97)	CNMI - Overpayment to contractors of three professional services contracts (Contract nos. C40276, C50083, C50132 & C50208) audited covering the period October 1, 1991 to July 20, 1995.	25,079	Partial recovery of \$9,000 for C40276. Status pending from agency for C50083, C50132 & C50208.

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per Agency
10	AR-99-01 (1-5-99)	PSS - Pursue accountability for funds for the William S. Reyes School and 50 <sup>th</sup> Golden Jubilee Funds within the inclusive period from October 1994 to October 1996.	12,123	Status pending from agency.
11	AR-00-02 (7-10-00)	CDA - Recover accrued interest on public funds advanced for parking lot improvements from January 1998 to August 1999	9,278	Partial recovery of \$325.
12	AR-97-06 (4-23-97)	DPH - Deny claims for repairs and non-existent lease for the period December 1993 to March 1996.	9,000	Status pending from agency.
13	LT-01-07 (11/23/01)	CUC - Audit of Travel of the Board of Directors, Key Management, and Other CNMI Government Officials for the period October 1999 through March 2001.	4,515	Partial recovery of \$1,411
14	AR-99-02 (3-29-99)	WRO - Outstanding employee loans for Fiscal Years 1995 and 1996.	3,580	Partial recovery of \$1,380.
15	LT-01-05 (8/15/01)	NMIRF - Audit of Billings for a Professional Services Contract During the Period October 1, 1996 Through February 29, 2000	2,268	Status pending from agency.
16	LT-01-08 (11-30-01)	DPS - Outstanding Confidential Fund Advances (CFA) for Fiscal Year 1999.	400	Full amount recovered from responsible DPS Investigator on March 28, 2003.
	Total Amount Recoverable		\$6,321,514	
	Less: Partial Recoveries		(\$202,473)	
	Less: Re-directed to AGO		(\$40,131)	
	Less: Recovery of CFA (LT-01-08)		(\$400)	
	Balance of Amount Recoverable as of 9/24/02		\$6,078,510	

This page was intentionally left blank.

# Executive Branch Offices

---

Office of the Governor  
Department of Finance  
Department of Lands and Natural Resources  
Department of Public Health  
Department of Public Safety  
Department of Public Works  
Department of Labor and Immigration

# Office of the Governor

**I. Report No. AR-97-II issued August 12, 1997  
 Audit of Procurement of Professional Services by the  
 Office of the Special Assistant for Drug and Substance Abuse**

Date(s) of followup letter(s) sent : 2/02/98, 9/17/98, 11/23/99, 7/13/00 (DOF), 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 8/20/98 (AGO), 11/17/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01 (AGO), 2/12/02 (meeting with AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>5. <i>Original:</i> Reduce any future payments to the contractor by \$21,365, which was paid in excess of the firm fixed price. In particular, the \$21,365 should be offset against the \$10,584 (under PO P68172) and \$12,309 (supplemental contract C70199) which are valid unpaid billings by the Contractor.</p> <p><i>As Revised and Redirected to AGO:</i> Determine appropriate legal action to be taken to pursue collection of the \$21,365 which was paid in excess of the firm fixed price.</p>	<p>DOF - Redirected to AGO</p>	<p>Resolved Delinquent</p>	<p>AGO's 8/20/98 opinion stated that payments were in fact made for PO P68172 and for supplemental contract C70199. According to DOF, the payments were made on the basis of AGO's opinion that the two pending invoices are separate contractual obligations from the original contract. AGO therefore recommended to DOF that those separate obligations be paid.</p> <p>Since payments have been made on PO P68172 and supplemental contract C70199 in the combined amounts of \$22,893, the Secretary of Finance should still take action to recover the \$21,365 payment in excess of the firm fixed price.</p> <p>During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary provided OPA a bill of collection dated 11/17/00 sent to the contractor to collect the \$21,365 in excess payments. On 11/27/00, DOF referred the matter to AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney General requested a copy of the report for further review purposes.</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to referrals for potential recovery of monies. In a follow-up letter to AGO dated 2/14/02,</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

OPA compiled a list of its referrals for AGO to prioritize for action. The list included this recommendation.

**Further Action Needed**

The AGO should notify OPA of the results of its review and if legal action to pursue collection of the \$21,365 in excess payments will be taken.

**2. Report No. LT-01-02 issued May 3, 2001  
Audit of the Maintenance and Use of the Challenger  
Since its Purchase in 1995**

Date(s) of followup letter(s) sent : 8/22/01, 3/4/02, 8/12/02, 2/12/03

Date(s) of response letter(s) received : 3/13/03 (meeting with the Speaker of the House)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. The CNMI Legislature should amend 1 CMC §7402 (a) (2) of the Planning and Budgeting Act by adding a provision to the Act that any CNMI Government employee who illegally reprograms government funds or receives illegally reprogrammed funds will be held personally liable for the amount of the reprogramming action.	CNMI Legislature	Resolved Active	In a letter dated 4/2/01, the Attorney General advised that the reprogramming authorized by a former official of the Office of Management and Budget did indeed violate the Planning and Budgeting Act. However, the Act provides no sanction or remedy for this violation. Consequently, the Attorney General's Office is unable to take appropriate action because evidence was not presented showing that reprogramming action itself involved a clear waste and abuse of government funds. The Attorney General, however, stated that this illegal action and OPA's report clearly identified a defect in the Act, and agreed to support legislative action to amend the law. OPA agreed with the Attorney General's position that legislation should be introduced to amend the Act. OPA therefore added Recommendation No. 6 for the



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>Legislature to act upon.</p> <p>In a meeting with the Speaker of the House on 3/13/03, OPA was informed that the Legislature intends to introduce legislation to amend 1CMC §7402 (a) (2) to comply with OPA's recommendation.</p> <p><i>Further Action Needed</i></p> <p>The CNMI Legislature should provide OPA a copy of the amended Planning and Budgeting Act after a provision is added to 1 CMC § 7402(a)(2) making any CNMI Government employee who illegally reprograms government funds or receives illegally reprogrammed funds personally liable for the amount of the reprogramming action.</p>

## Department of Finance

**I. Report No. LT-98-07 issued August 5, 1998**  
**Department of Finance**  
**Audit of Abuse of Government Time by a Technical Financial Analyst**  
**September 28, 1997 to March 28, 1998**

Date(s) of followup letter(s) sent : 9/17/98, 11/23/99, 7/13/00, 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 10/22/98, 12/18/98, 2/10/99, 9/27/00, 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01(AGO), 2/12/02 (meeting with AGO), 5/13/03 (meeting with AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. <i>Original:</i> Recover from the Technical Financial Analyst the \$6,302 overpayment (\$5,975 for tardiness and absences, and \$327 for excess overtime). The employee, however, should be given the option to offset his time-off against his annual leave in accordance with existing personnel regulations.</p> <p><i>As Revised and Redirected to AGO:</i> Determine appropriate legal action to be taken to pursue collection of the \$6,302 in overpayment (\$5,975 for tardiness and absences, and \$327 for excess overtime).</p>	DOF - Redirected to AGO	Resolved Active	<p>In a 12/18/98 letter sent to the Technical Financial Analyst, the DOF Secretary stated that the 79 hours annual leave balance of the employee amounting to \$1,616 will be used to settle a portion of the outstanding amount. The remaining balance of \$4,686 will be repaid through payroll deductions of \$200 per pay period for 23 pay periods beginning with pay period #1 in calendar year 1999. However, on 2/10/99 the DOF Secretary directed a suspension of payroll deductions from the Technical Financial Analyst pending resolution of his case with the Civil Service Commission (CSC).</p> <p>On 9/27/00, DOF provided OPA a copy of the letter of the CSC to the Technical Financial Analyst which stated that CSC considered the case closed because the Technical Financial Analyst failed to respond.</p> <p>We verified with DOF whether the closure of the case by CSC would mean that DOF can now proceed with recovery of the overpayment. DOF informed OPA that they were advised by their Legal Counsel that collection of the overpayment can be done only through legal proceedings.</p> <p>During the 11/21/00 meeting with the Coordinating Group, DOF agreed to refer this case to the AGO. On 11/27/00, DOF</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>referred the matter to the AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney General stated that AGO will send out a demand letter requesting the employee to pay back the salary for which no work was performed.</p> <p>During the 2/12/02 meeting, AGO informed OPA that the amount to be recovered from the employee for which no work was performed was reduced to approximately \$4,900 by garnished bonus payment. OPA asked AGO to provide documentation on the payment. In a follow-up letter to AGO dated 2/14/02, OPA compiled a list of its referrals for AGO to prioritize for action. The list included this recommendation.</p> <p>In a meeting with AGO on 5/13/03, OPA was informed that an agreement was entered into with the former Technical Financial Analyst in which he signed a promissory note to pay back for the salary overpayments. AGO stated that they will be providing OPA with a copy of the promissory note.</p> <p><b>Further Action Needed</b></p> <p>AGO should provide OPA a copy of the promissory note and the status of collections until fully recovered.</p>

**2. Report No. AR-98-06 issued December 14, 1998**  
**Department of Finance**  
**Audit of Misuse of Funds by the Former Secretary of Finance**  
**Fiscal Years 1995, 1996, and 1997**

Date(s) of followup letter(s) sent : 11/23/99 (DOF), 1/26/99, 1/5/00 (AGO), 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (DOF) (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 2/18/03 (DOF)

Date(s) of response letter(s) received : 1/20/00 (AGO), 3/9/01 (AGO), 2/12/02 (meeting with AGO), 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. <i>As Revised:</i> DOF should provide OPA documents showing recovery of the \$56,461.98 in restitution on the federal case. In addition, AGO should take further legal action against the former Secretary for misappropriation and improper expenditure of public funds.	DOF and AGO	Resolved Delinquent	On 2/22/01, the Federal Court sentenced the former Finance Secretary to 33 months imprisonment and ordered payment of \$56,461.98 in restitution to the court for disbursement to the CNMI Department of Finance.  In his 3/9/01 response, the Acting Attorney General stated that AGO waited until the federal crime case concluded since one count in the case was covered by AGO's case. The former Secretary was ordered to pay restitution in the federal case, thereby reducing the maximum potential judgment. AGO will make a Motion for Summary Judgment and will still seek a judgment of approximately \$75,000 against the former Secretary of Finance for misappropriation and improper expenditure of public funds.  During the 2/12/02 meeting, AGO informed OPA that it will file a Motion for Summary Judgement in the civil action filed against the former Secretary of Finance. In a follow-up letter to AGO dated 2/14/02, OPA compiled a list of its referrals for AGO to prioritize for action. The list included this recommendation.  <b>Further Action Needed</b>  DOF should provide OPA proof of collection of the \$56,461.98 restitution in the federal case. In addition, AGO should also provide OPA with a copy of the order granting or denying its Motion for Summary Judgment when entered in the civil action filed against

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

the former Secretary of Finance.

**3. Report No. LT-00-02 issued March 14, 2000  
Audit of the Department of Finance's  
Double Payments of 1995 Corporate Tax Rebates to  
Eleven Taxpayers in Fiscal Year 1997**

Date(s) of followup letter(s) sent : 7/13/00, 1/19/01, 8/21/01, 3/12/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 12/7/00 (meeting with Coordinating Group on DOF), 10/1/01, 3/27/02 (DOF request for extension), 4/12/02, 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

1. Require the DOF-Accounts Payable Section of the Division of Finance and Accounting to strictly comply with its established control procedure for processing complaints of non-receipt of corporate tax rebate payments, in particular verifying if previous payment has been made before processing a new payment.	DOF	Resolved Delinquent	The former Secretary of Finance addressed Recommendations 1 and 2 by stating that a new tax system is currently being developed to give DOF the capability to automate processing of the corporate rebate tax returns. Because the annual returns will be entered and processed through the tax system, the rebate computations and preparation of rebate checks will be part of the automated process. Since the payment data are stored, the system will automatically flag a warning if a rebate check has already been issued to a particular corporation for a specific tax year. This process will ensure the detection of duplicate processing of a return and potential double payment of a tax rebate. The new tax system is expected to be completed by the summer of year 2000. DOF anticipates processing the 1999 tax returns using the new system.
---	-----	------------------------	--

In his 4/12/02 response, the current Secretary of Finance stated that DOF will submit documentation of internal control procedures for the processing of corporate rebate taxes. He also stated that there are features in the new tax system that will prevent duplicate payments of taxpayer rebates or refunds.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. Develop and implement control procedures in its financial management system which will recognize and flag potential duplicate processing of corporate tax rebate payments.	DOF	Resolved Delinquent	<p><b>Further Actions Needed</b></p> <p>Recommendations 1 and 2 - Provide OPA copies of the control procedures established to avoid double payments as agreed during the meeting. Specifications for internal control of the new tax system (once the development phase is completed) should include features that will prevent or easily allow the detection of double payments. The new tax system should be able to handle the processing of the following cases and the control procedures available: (1) an amendment to the original corporate tax return that was successfully processed in the system and a check processed and issued; (2) a request for manual rebate check because the corporate tax return is pending in the system (due to data entry error, reporting error, incomplete information or support on tax return, etc.); and (3) a replacement check because the original check issued was missing.</p>

**4. Report No. LT-01-06 issued August 15, 2001  
Department of Finance  
Audit of Government Revenues from the CNMI Lottery Operations  
for the Fourth Quarter of Fiscal Year 1999**

Date(s) of followup letter(s) sent : 3/12/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 3/27/02 (DOF request for extension), 4/12/02, 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of Finance should instruct Operator B and the DOF Finance and Accounting Division to fully implement the amendments (Rules 24 and 25) relating to control procedures to help ensure that all government lottery revenues received from operators of the Jueteng "number game" are reported.	DOF	Resolved Delinquent	<p>The Secretary of Finance concurred with the recommendation and stated that pursuant to the Lottery Regulations, DOF will initiate a review of Operator B's lottery documents beginning with the first quarter of Fiscal Year 2000.</p> <p>In his 4/12/02 response, the Secretary of Finance informed OPA that he has to</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>assign one of his staff to conduct on-site visits to ensure that the adopted rules and regulations for the operation of the Jueteng game are being followed by Operator B.</p> <p><i>Further Actions Required</i></p> <p>Provide OPA copies of documents evidencing that Operator B and DOF implemented the adopted rules and regulations for the operation of the Jueteng game.</p>

# Department of Lands and Natural Resources

**I. Report No. LT-00-04 issued June 7, 2000  
 Division of Fish and Wildlife (DFW)  
 Audit of Two DFW Employees' Time and Attendance and Whether their Arrangement with DFW was Consistent with the Pacific Islands Education Initiative**

Date(s) of followup letter(s) sent : 7/6/00, 1/24/01, 8/20/01, 3/4/02, 8/9/02, 2/12/03

Date(s) of response letter(s) received : 10/31/00 (meeting with Coordinating Group on DLNR), 9/6/02, 9/13/02 (meeting with DFW Director), 9/16/02 (DFW), 9/25/02 (DFW), 2/18/03 (DLNR)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. The DFW Director should develop a special educational leave program in accordance with the MOU to be approved by the grantor. Also, the Director must ensure that DFW is in compliance with the provisions of the various grants, in order to assure continued federal support.</p>	<p>DLNR</p>	<p>Resolved Active</p>	<p>On 9/25/02, DFW provided OPA with a copy of the proposed rules and regulations currently being developed with the assistance of the Northern Mariana Islands Scholarship Program that provides guidelines on how the Pacific Island Education Initiative (PIEI) should be administered as far as recruitment and selection process are concerned.</p> <p>In his response dated 2/18/03, the Secretary of DLNR stated that the draft rules and regulations on the recruitment and selection process for the PIEI is anticipated to be finalized in the next sixty days with the U.S. Fish and Wildlife Service. The federal grantor agency will provide their written approval shortly thereafter.</p> <p><b>Further Action Needed</b></p> <p>DLNR should provide OPA with a copy of the finalized rules and regulations for the PIEI program along with evidence of concurrence by the grantor agency.</p>



**2. Report No. AR-01-02 issued March 22, 2001  
 Department of Lands and Natural Resources  
 Audit of Agreement with a Submerged Land Lessee  
 to Operate the Outer Cove Marina From May 1993 to October 1998**

Date(s) of followup letter(s) sent : 3/4/02, 8/9/02, 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 9/6/02

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original</i> - The Secretary of DLNR and the submerged land lessee should amend or completely change the lease agreement so that there will be a clearer understanding of each party's obligations and responsibilities, taking into account:</p>	<p>DLNR Redirected to AGO</p>	<p>Open Delinquent</p>	<p>In his 1/22/01 response, the DLNR Secretary concurred with OPA's recommendation (1) to amend or substantially revise the lease agreement or, alternatively, (2) to have either the CNMI Government or another entity take over operation of Outer Cove Marina, but stated that DLNR could not pursue either alternative until the Senate Oversight Committee has submitted its report and the currently proposed legislation (House Bill 12-250) is enacted.</p>
<p>1. The components that will comprise the actual Outer Cove Marina project cost.</p>			<p>In his response dated 9/6/02, the DLNR Secretary informed OPA that the Outer Cove Marina issues are now being handled by the Attorney General's Office.</p>
<p>The Outer Cove Marina properties/facilities will be turned over to DLNR and to the National Park Service at the completion of the lease period. It is therefore necessary for the submerged land lessee to provide a detailed cost breakdown of all the properties/facilities comprising the Outer Cove Marina project. The detailed breakdown of project costs will also be very useful in establishing the level of fees and making relevant decisions for settling the Outer Cove Marina controversies.</p>			<p><b>Further Action Needed</b></p> <p>AGO should provide OPA with the status of the ongoing negotiation between the CNMI government and the submerged land lessee.</p>
<p>In establishing the cost of each completed facility, the submerged land lessee must also show the reasonable allocation of development costs (e.g. architectural and engineering costs, permits, interest and other costs during construction that can be capitalized in accordance with accounting principles and auditing standards, etc.).</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. The allocation of the Outer Cove Marina project cost between the area covered by the lease agreement and the area covered by the concession contract.</p>			<p>How the Outer Cove Marina project properties/facilities will be disposed of depends upon (1) when the lease agreement or the concession contract ends, or (2) if the agreement or contract is terminated at an earlier period. It is therefore necessary that the submerged land lessee also segregate the costs of the Outer Cove Marina project properties/facilities based on the governing agreement/contract.</p>
<p>3. The provisions in the lease agreement that may no longer be practical to implement.</p>			<p>There are provisions in the lease agreement whose implementation may no longer be practical. For example, the CNMI may never collect any yearly rental where it is to be computed as 75 percent of net earnings. The Outer Cove Marina may never make any profit at all because its construction cost was greater than planned. DLNR should decide whether earning an annual rental is a priority, and if it is, then DLNR needs to introduce a new provision that will impose a guaranteed lease rental.</p>
<p><i>An alternative course of action that DLNR and the CNMI Government can take is:</i></p>			
<p>DLNR and the CNMI Government could pay the submerged land lessee for the fair market value of the Outer Cove Marina project, with DLNR then taking over the marina operations, or could turn to other</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>private developers who might take over the marina operations and pay the submerged land lessee for the project cost.</p> <p>This alternative will require the joint effort of the Executive Branch and the Legislature. Funds needed to pay the submerged land lessee must be identified and appropriated. It will also require an analysis as to what part of the Outer Cove Marina project cost will be assumed by the Government. There are some parts of the Outer Cove Marina operations that could either be retained by the submerged land lessee or taken over by other concessionaires or contractors.</p> <p><i>As Redirected to AGO</i> - AGO should provide OPA with the status of the ongoing negotiation between the CNMI government and the submerged land lessee.</p>			

## Department of Public Health

### I. Report No. AR-97-06 issued April 23, 1997 Rota Health Center (RHC) Director's Claims Against the RHC

Date(s) of followup letter(s) sent : 6/23/97, 7/16/97, 2/02/98, 9/17/98 (DOF), 9/21/98 (RMO), 11/23/99 (DOF), 11/29/99 (RMO), 7/6/00 (RMO), 7/13/00 (DOF), 1/17/01 (AGO), 1/19/01 (DOF), 8/21/01 (AGO) (DOF), 2/14/02 (AGO), 3/12/02 (DOF), 8/12/02 (DOF) (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 2/18/03 (DOF)

Date(s) of response letter(s) received : 6/16/97 (RMO), 2/24/98 (RMO), 7/19/00 (RMO), 11/17/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01 (AGO), 9/18/01 (DOF), 2/12/02 (meeting with AGO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 3/17/03 (request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original:</i> The Secretary of Finance should require the current Director of RHC to return the amount of \$4,282.02 taken from RHC funds.</p> <p><i>As Revised and Redirected to AGO:</i> Determine appropriate legal action to be taken to recover from the current Director of RHC the \$4,282.02 taken from RHC funds.</p>	DOF - Redirected to AGO	Resolved Delinquent	<p>During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary provided OPA a bill of collection dated 11/17/00 for \$4,982.02 sent to the current Director of RHC which consists of \$4,282.02 taken from RHC funds and \$700 reimbursement for the cost of the washing machine. On 11/27/00, DOF referred the matter to the AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney General requested a copy of the report for further review purposes.</p> <p>During a meeting on 2/12/02, AGO informed OPA that the Statute of Limitations has passed regarding this recommendation. In a follow-up letter dated 2/14/02, OPA requested AGO to provide a letter documenting the applicability of the to formally close this recommendation.</p> <p><b>Further Action Needed</b></p> <p>The AGO should provide OPA a letter documenting that the Statute of Limitations has passed on this recommendation. OPA's receipt of this letter would be sufficient to close the recommendation.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. The Secretary of Finance should deny the \$5,000 claim for repairs, and the \$4,000 amount claimed for a non-existent lease extension.</p>	DOF	Resolved Delinquent	<p>The former Secretary of Finance provided OPA a copy of its 9/18/01 letter to the Acting Resident Director of DOF-Rota requesting assistance in verifying whether or not the \$5,000 claim for repairs and the \$4,000 claim for a non-existent lease extension were paid through the Rota Imprest Fund Account.</p> <p>In his 4/12/02 response, the current Secretary of Finance informed OPA that his office has not received a response to its 9/18/01 letter to the Acting Resident Director of DOF-Rota. However, DOF has sent a follow-up letter to the Mayor requesting assistance on the matter.</p> <p><b>Further Action Needed</b></p> <p>DOF should inform OPA as to the results of the verification requested from DOF-Rota. If the claims were in fact paid through the Rota Imprest Fund Account, DOF should take steps to reject the claims and recover the money by directing the Acting Resident Director to take the appropriate action.</p>
<p>4. <i>Original:</i> The Secretary of Finance should deny the claim of the Director of RHC for reimbursement of the cost of the washing machine.</p> <p><i>As Revised and Redirected to AGO:</i> Determine appropriate legal action to be taken to recover the \$700 reimbursement for the cost of the washing machine.</p>	DOF - Redirected to AGO	Resolved Delinquent	<p>During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary provided OPA a bill of collection dated 11/17/00 for \$4,982.02 sent to the current Director of RHC which consists of \$4,282.02 taken from RHC funds and \$700 reimbursement for the cost of the washing machine. On 11/27/00, DOF referred the matter to the AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney General requested a copy of the report for further review purposes.</p> <p>During a meeting on 2/12/02, AGO informed OPA that the Statute of Limitations has passed on this recommendation. In a follow-up letter dated 2/14/02, OPA requested AGO to provide a letter documenting the</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

applicability of the to formally close this recommendation.

**Further Action Needed**

The AGO should provide OPA a letter documenting that the Statute of Limitations has passed on this recommendation. OPA's receipt of the letter would be sufficient to close the recommendation.

**2. Report No. AR-97-07 issued June 3, 1997  
Development Disabilities Council  
Audit and Investigation of Misuse of Funds and Resources of DDC**

Date(s) of followup letter(s) sent : 7/09/97, 2/09/98, 9/10/98, 9/10/98 (DPH), 9/17/98 (DOF), 10/23/98 (DDC), 11/23/99 (DPH) (DOF), 7/6/00 (DPH), 7/13/00 (DOF), 1/17/01 (AGO), 1/30/01 (GOV), 8/21/01 (AGO), 8/22/01 (GOV), 2/14/02 (AGO), 3/12/02 (DOF), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 1/13/98, 2/24/98 (DPH), 9/9/98 (DOF), 9/14/98 (DDC), 12/16/99 (DDC), 11/14/00 (meeting with Coordinating Group on DPH), 11/17/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01 (AGO), 2/12/02 (meeting with AGO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 5/22/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

<p>3. <i>As Revised and Redirected to DOF:</i> The Secretary of Finance should deduct any unpaid balance of the \$1,088 charges for personal calls and \$1,086 advance from the final payroll check or any other funds due to the former Executive Director. Also, the Secretary of Finance should instruct the Travel Section to strictly comply with DOF Manual of Procedures and Policies relating to travel and transportation, particularly as to enforcing immediate return of travel advances if travel is canceled.</p>	<p>DOF - Redirected to AGO</p>	<p>Resolved Active</p>	<p>Both the charges for personal calls and the advances have unpaid balances of \$600 each for a total of \$1,200 to be collected from the former Executive Director.</p> <p>During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary provided OPA a bill collection dated 11/17/00 for \$1,964.40 sent to the former Executive Director which consists of \$1,200 in unpaid balance of charges for personal calls and advances and \$764.40 in retroactive salary increase. On 11/27/00, DOF referred the matter to the AGO to possibly pursue collection</p>
---	--	----------------------------	--

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p><i>As Revised and Redirected to AGO:</i> Determine appropriate legal action to be taken to recover from the former Executive Director the unpaid balance of \$1,200 in charges for personal calls and advances.</p>			<p>through legal proceedings. In his 3/9/01 response, the Acting Attorney General stated that AGO will prepare and send out a demand letter for the amount in the audit. If no response is received, a civil action will be filed.</p> <p>During a meeting on 2/12/02, AGO informed OPA that although demand letters were sent out in early 2000, the Statute of Limitations has passed on most items included in this report. In a follow-up letter dated 2/14/02, OPA requested AGO to provide a letter to document the applicability of the to this recommendation.</p> <p>In his response dated 5/22/03, the Deputy Attorney General stated that the Statute of Limitations had expired on this referral recommendation in 2002. However, he stated the Statute could possibly be extended depending on when the last payroll deduction for the travel advances occurred. Based on the information provided by the AGO, OPA will conduct further analysis on this recommendation.</p>
<p>7. <i>Original</i> - The Secretary of Public Health should take action to recover the retroactive salary increase of \$3,600 improperly paid from local funds to the former DDC Executive Director.</p> <p><i>As Revised and Redirected to AGO:</i> Determine what legal action is appropriate to recover the remaining balance of \$764.40 in retroactive salary increase owed by the former Executive Director.</p>	<p>DOF - Redirected to AGO</p>	<p>Closed</p>	<p>During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary provided OPA a bill dated 11/17/00 for \$1,964.40 sent to the former Executive Director which consists of \$1,200 in unpaid balance of charges for personal calls and advances and the remaining balance of \$764.40 in retroactive salary increase. On 11/27/00, DOF referred the matter to the AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney General stated that AGO will prepare and send out a demand letter for the amount stated in the audit. If no response is received, a civil action will be filed.</p> <p>During a meeting on 2/12/02, AGO informed OPA that although demand letters were sent out in early 2000, the Statute of Limitations has passed on most items included in this report. In a follow-</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			up letter dated 2/14/02, OPA requested AGO to provide a letter to document the applicability of the to this recommendation.
			In his response dated 5/22/03, the Deputy Attorney General stated that the Statute of Limitations had expired on this referral recommendation in 2002. Because the Statute of Limitations has expired on this recommendation, it is therefore considered closed.

**3. Report No. LT-99-06 issued August 18, 1999  
Audit of DPH's Granting of Unequal Salaries to  
Social Worker Employees**

Date(s) of followup letter(s) sent : 11/23/99 (DPH), 11/26/99 (OPM), 2/28/00 (OPM), 7/6/00 (DPH) (OPM), 1/30/01, 8/22/01, 3/8/02 (DPH), 8/9/02 (DPH), 2/12/03 (DPH)

Date(s) of response letter(s) received : 12/20/99 (OPM), 12/22/99 (DPH), 11/14/00 (meeting with Coordinating Group on DPH), 10/22/01 (DPH)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. The Secretary of Public Health should ensure that DPH employees are compensated equitably. The salaries of the three social worker employees should be adjusted to reflect the appropriate salaries based on their qualifications and responsibilities.</p> <p><i>As Revised:</i> The Secretary of Public Health should review the salary structure of DPH and propose a revised salary structure for review by OPM and for approval by the Civil Service Commission (CSC).</p>	DPH	Resolved Delinquent	<p>During the 11/14/00 meeting with the Coordinating Group, the DPH Secretary presented an alternative action to address this recommendation which is to revise the salary structure of DPH to address the salary inequity and DPH's concerns about attracting upcoming college graduates to work for the department. DPH will present a proposed salary structure for review by OPM and for approval by CSC. OPA agreed to this alternative action suggested by the DPH Secretary.</p> <p>In his 10/22/01 response, the DPH Secretary informed OPA that the Director of the Community and Guidance Center has completed the proposed salary structure of social workers and submitted it to the CHC Human Resources for review. DPH will</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			submit the proposed salary structure to CSC no later than 10/31/01. When approved by CSC, DPH will provide OPA a copy.
			<i>Further Action Needed</i>
			The Secretary of Public Health should provide OPA a copy of the revised salary structure of DPH after its approval by CSC.

# Department of Public Safety

**I. Report No. AR-94-05 issued November 19, 1994**  
**Bureau of Motor Vehicles (BMV)**  
**Driver's Licensing and Vehicle Registration Activities**

Date(s) of followup letter(s) sent : 12/30/94, 2/23/95, 7/7/95, 10/6/95, 5/3/96, 12/3/96, 2/02/98, 9/18/98, 11/23/99, 7/6/00, 1/22/01, 8/22/01, 3/5/02, 8/9/02, 2/12/03

Date(s) of response letter(s) received : 2/14/95, 2/23/95, 7/28/95, 10/2/95, 10/12/95, 10/27/95, 12/11/96, 1/7/97, 8/22/00, 9/26/00 (meeting with Coordinating Group on DPS), 2/7/01, 9/10/01 (meeting with DPS), 12/6/01, 3/7/02 (meeting with DPS Commissioner), 8/28/02

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
12. The Commissioner of DPS should require the CJIS programmer to modify the database program for driver's licenses to allow the accumulation of historical data.	DPS	Resolved Delinquent	During the 9/10/01 meeting with a DPS official, OPA was informed that DPS, including BMV, is in the process of implementing an automated system which is part of the Criminal Justice Information System (CJIS). For driver's licensing, DPS is awaiting shipment of a Polaroid System.
13. The Commissioner of DPS should require the CJIS programmer to modify the driver's license database program to improve the processing and maintenance of drivers' license records. The program should be able to accept entry of data from the application and be able to print that data on the drivers' license cards. The data should be automatically added by the program to the database file. If necessary, the DPS can seek assistance from the Electronic and Data Processing programmers at the Department of Finance.	DPS	Resolved Delinquent	In a 12/6/01 response from DPS, the Commissioner of Public Safety stated that the completion date for the automated system is 6/30/02.  In his letter response dated 8/28/02, the DPS Commissioner stated that implementation of recommendation nos. 12, 13, and 17 did not meet the target date of 6/30/02 due to an unexpected delay in the arrival of the necessary hardware and software. However, the system is currently in place and is anticipated to be up and running in two months time.
			<i>Further Action Needed</i>
17. The Commissioner of DPS should instruct the CJIS programmer to include a feature in the computer program to check the numerical sequence of license plates entered into the computer.	DPS	Resolved Delinquent	For Recommendation nos. 12, 13, and 17 - The DPS Commissioner should provide OPA a status report on the implementation of the recommendations until the system is fully operational in two months, the implementation date provided by DPS.

**2. Report No. LT-01-08 issued November 30, 2001  
Audit of the Department of Public Safety's  
Confidential Informant Fund and Prostitution Fund  
for Fiscal Year Ended September 30, 1999**

Date(s) of followup letter(s) sent : 3/5/02, 8/9/02, 2/12/03

Date(s) of response letter(s) received : 3/7/02 (meeting with DPS Commissioner), 8/28/02, 3/28/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The DPS Commissioner should enforce compliance with the 48-hour limit for liquidation of cash advances by reporting violations to DPS management.	DPS	Open Delinquent	In his response dated 8/28/02, the DPS Commissioner stated that they are still working on implementing recommendation nos. 2, 3 and 4 and will inform OPA once they satisfy all the necessary requirements.
3. The DPS Commissioner should collect the \$400 CFA from the former custodian unless the disbursement can be adequately supported.	DPS	Closed	On 3/28/03, OPA was provided a copy of the official cash receipt evidencing payment made by the responsible DPS Investigator who was advanced the Confidential Informant funds for which no supports were provided to evidence liquidation. The document provided was sufficient to consider recommendation 3 closed.
4. The DPS Commissioner should transfer responsibility of the Prostitution Fund's bank account to DOF. Also, return the \$557.59 previously in the Special Operations Task Force account to the General Fund.	DPS	Closed	OPA conducted further analysis on recommendation 4 based on a subsequent compilation report of the Department of Public Safety's Confidential Informant Funds for fiscal years 2000 and 2001 which was released on 5/10/02. Based on the report, OPA noted that \$5,786 of the \$7,992 counted as a result of another cash count of the Confidential Informant Funds on 4/30/01 for which DPS officials could provide no explanation. OPA determined that it is possible that this amount includes the \$557.59 previously in the Special Operations Task Force account which should have been returned to the General Fund. As a result of the further analysis made and the immateriality of the amount in question, OPA has therefore decided to close recommendation 4.

**Further Action Needed**

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			Recommendation 2 - Provide OPA copy of actions taken to enforce compliance with the 48-hour limit for liquidation of cash advances.

# Department of Public Works

**I. Report No. AR-00-01 issued April 13, 2000  
 Audit of the Land Survey Contract for the  
 Tinian Road Resurfacing Project  
 Fiscal Year 1997**

Date(s) of followup letter(s) sent : 7/3/00 (DPW), 7/12/00 (AGO), 7/13/00 (DOF), 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 5/10/00 (DPW), 11/7/00 (meeting with Coordinating Group on AGO), 12/7/00 (meeting with Coordinating Group on DOF), 3/9/01 (AGO), 2/12/02 (meeting with AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. <i>Original:</i> DOF should take adverse action against the contractor 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 the contractor from participating in future government solicitations.</p> <p><i>As Redirected to AGO:</i> AGO should take adverse action against the contractor 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 the contractor from participating in future government solicitations.</p>	<p>DOF - Redirected to AGO</p>	<p>Resolved Delinquent</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>During the 12/7/00 meeting with the Coordinating Group, it was agreed that this recommendation should be redirected to the AGO. The AGO did not address this recommendation in its 3/9/01 response.</p> <p>In the 2/12/02 meeting with AGO, OPA included this recommendation in the list of its requests for legal opinion from AGO. In a follow-up letter dated 2/14/02, OPA reiterated its request for AGO to provide a legal opinion on whether debarment of the contractor from future government contracting is the appropriate action in this matter.</p> <p><b>Further Action Needed</b></p> <p>AGO should provide OPA a copy of its opinion on the matter. If the AGO determines that the contractor should be debarred, the AGO should provide OPA a copy of the notice of the contractor's debarment.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>5. <i>Original:</i> DOF should continue to take necessary steps to recover the \$164,534 improper payments made to the contractor, 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 the contract was invalid may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to the contractor.</p> <p><i>As Redirected to AGO:</i> AGO should continue to take necessary steps to recover the \$164,534 improper payments made to the contractor, 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 the contract was invalid may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to the contractor.</p> <p><i>As Revised:</i> AGO should provide OPA documents showing recovery of the \$100,000 in restitution imposed by the United States District Court's sentence imposed on the contractor.</p>	DOF - Redirected to AGO	Resolved Delinquent	<p>The DOF Secretary requested AGO's assistance in getting information on the Federal Court case involving the contract. The DOF Secretary stated that her office will proceed with the recommendation after the Federal Court's decision.</p> <p>During the 12/7/00 meeting with the Coordinating Group, it was agreed that this recommendation should be redirected to the AGO. In its 3/9/01 response, the Acting Attorney General stated that no further action will be taken on this matter. Contact has been made with the United States Probation Department requesting that restitution from the contractor be ordered at sentencing.</p> <p>During the 2/12/02 meeting, AGO informed OPA that it had already requested the United States Probation Department to recommend that restitution be required from the contractor and that it is awaiting sentencing decision.</p> <p>On 4/2/02, the United States (US) District Court's sentence imposed on the contractor was 8 months imprisonment and restitution of \$100,000.</p> <p><b>Further Action Needed</b></p> <p>AGO should inform OPA if full restitution has been made by the contractor.</p>

# Department of Labor and Immigration

**I. Report No. AR-02-04 issued on November 5, 2002  
 Audit of the Department of Labor and Immigration  
 Tinian Long Distance Telephone Charges  
 January 1998 through June 2000**

Date(s) of followup letter(s) sent : 2/18/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. Request the telephone company to reduce the number of agency telephone lines with long-distance access and limit long-distance access only to certain employees.	DOLI-Tinian	Resolved Active	<p>The Resident Director of DOLI Tinian appears to disagree with the recommendation. She stated that DOLI Tinian has four divisions which contains an average of two to three sections. She explained that the current ten telephone lines often results in hampered public services due to busy telephone signals. Hence, she maintained that her department will continue with the set up of ten telephone lines.</p> <p>In a conference call between the DOLI Tinian Resident Director's Secretary and OPA on 2/18/03, the Secretary stated that there are only four DOLI personnel who have access to a pin number used to make long-distance calls. Also, the only telephone line with direct access to long-distance is in the Resident Director's office.</p> <p><b>Further Action Needed</b></p> <p>The Resident Director of DOLI Tinian should provide written documentation evidencing that authorization of the long-distance pin number is limited to the four DOLI Tinian personnel.</p>

The logo consists of a blue rectangular box with a white border. Inside the box, the word "Municipalities" is written in a large, bold, white sans-serif font. Below this, a thin white horizontal line spans the width of the box. Underneath the line, the words "Offices of the Mayors" are written in a smaller, white sans-serif font.

# Municipalities

Offices of the Mayors



# Municipality of Rota

**I. Report No. LT-98-II issued August 16, 1998**  
**Office of the Mayor**  
**Audit of Compliance with Authorized Number of**  
**Full Time Employee Positions in the Rota Mayor's Office**

Date(s) of followup letter(s) sent : 11/23/99 (Legislature), 1/26/99, 1/5/00 (AGO), 7/6/00 (Legislature), 1/23/01 (Legislature), 8/22/01 (Legislature), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 3/25/99 (RMO), 6/14/99 (OPM), 2/12/02 (meeting with AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. <i>Original:</i> The CNMI Legislature should enact legislation to clarify the issues relating to "Full Time Employment vacancies" and "transfers." More specifically, the Legislature should:</p> <p>a. define a Full Time Employment (FTE) vacancy.</p> <p>OPA questions the applicability of 1 CMC §8135 for use in defining the term "vacancy" because the provision was enacted by an appropriation act which was a temporary law. It would be helpful for the Legislature to define the term "vacancy" and affirm it as a permanent part of CNMI law, thereby giving the definition a firm legal basis.</p> <p>b. clarify legislative intent with respect to the transfer of FTEs from RMO to PSS.</p> <p>Because the Sinapalo Elementary School is still under construction, the Legislature should state whether RMO may retain or must forfeit vacated FTEs, and at the same time provide by law the authorized number of FTEs for RMO. Having a specified number of FTEs would enable government agencies to</p>	<p>Legislature - Redirected to AGO</p>	<p>Open Delinquent</p>	<p>This recommendation was for consideration by the Legislature. However, OPA determined that before it can be considered by the Legislature, a legal opinion should be sought to clarify the issues relating to "Full Time Employment vacancies" and "transfers."</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring AGO's legal opinion.</p> <p><b>Further Action Needed</b></p> <p>AGO should provide OPA its legal opinion on the matter.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>more readily comply with laws and regulations, especially when vacancies and transfers are subject to a certain event occurring, such as the opening of a school.</p> <p><i>As Redirected:</i> The AGO should provide its legal opinion to clarify the issues relating to "Full Time Employment vacancies" and "transfers."</p>			

# Municipality of Tinian

**I. Report No. LT-95-06 issued November 1, 1995  
Investigation of a Motor Vehicle Leased by the Tinian Mayor's Office**

Date(s) of followup letter(s) sent : 7/16/96,11/29/96,12/3/96, 2/02/98, 9/17/98, 11/23/99, 7/13/00, 1/19/01, 8/21/01, 3/12/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 11/21/00 (meeting with Coordinating Group on DOF), 10/01/01, 3/27/02 (DOF request for extension), 4/12/02, 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of Finance should designate responsibility to a specific DOF office for implementing government vehicle regulations, developing specific procedures for confiscating vehicles, and bringing disciplinary actions against offending officials or employees.	DOF	Resolved Active	<p>The provisions of Government Vehicle Regulations No. 1101 Section 11 (e) as adopted by the Department of Finance in the Commonwealth Register on 4/15/93 state that the Secretary of Finance shall have the authority to revoke the employee's CNMI government vehicle permit, immediately confiscate the vehicle in question, bring disciplinary action against the offending official or employee, or refer the matter to the Attorney General or Department of Public Safety for further investigation.</p> <p>In his 4/12/02 response, the Secretary of Finance informed OPA that revisions to the amended Government Vehicle Regulations are near completion and a copy will be provided to OPA upon their adoption.</p> <p><b>Further Action Needed</b></p> <p>DOF should provide OPA copies of the revised Government Vehicle Regulations upon its adoption.</p>

**2. Report No. AR-96-01 issued January 31, 1996  
Office of the Mayor  
Audit of Operations  
For Fiscal Years Ended September 30, 1990 to 1993**

Date(s) of followup letter(s) sent : 3/28/96, 11/25/96, 2/02/98, 9/17/98, 11/23/99, 7/13/00, 1/19/01, 8/21/01, 3/12/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 6/11/97, 9/27/00, 9/22/99, 11/21/00 (meeting with Coordinating Group on DOF), 3/27/02 (DOF request for extension), 4/12/02 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>7. The Secretary of Finance should direct the head of the Tinian Procurement Office to maintain an updated record of capital assets. On a regular basis, the Tinian Procurement Office should conduct an inventory to establish the physical existence, condition and location of fixed assets. It should also compare its record of assets with the inventory and take appropriate action with respect to any differences. Any missing item should be properly accounted for by the concerned agency.</p>	DOF	Resolved Delinquent	<p>During the 11/21/00 meeting with the Coordinating Group, the Procurement and Supply (P&amp;S) Director agreed to issue a memorandum to the Tinian Procurement Office and even to the Rota Procurement Office directing them to conduct their own annual inventory. In the 10/1/01 response from DOF, there was no indication of any action taken on this recommendation.</p> <p>On 4/12/02, the current Secretary of Finance responded that his office has requested copies of the inventory results from Rota and Tinian for DOF to provide to OPA.</p> <p><b>Further Action Needed</b></p> <p>The P&amp;S Director should provide OPA a copy of the memorandum directing the Tinian Procurement Office to establish a schedule for conducting inventories of government capital assets on Tinian and a copy of the inventory results and actions taken.</p>

This page was intentionally left blank.

# CNMI-Wide Audits

Single Audits  
Compliance with Laws and Regulations

# CNMI-Wide Audits

**I. Report No. AR-97-05 issued March 20, 1997  
 Audit of the Executive Branch of the CNMI Government's  
 Professional Services Contracts from October 1991 to July 1995**

Date(s) of followup letter(s) sent : 7/09/97, 2/02/98, 9/17/98 (AGO) (DOF) (GOV), 9/22/98 (OMB), 11/23/99 (DOF) (GOV), 11/26/99 (OMB), 1/26/99 (AGO), 1/5/00 (AGO), 7/11/00 (OMB), 7/12/00 (AGO), 7/13/00 (DOF), 1/17/01 (AGO), 1/19/01 (DOF), 1/23/01 (OMB), 8/21/01 (DOF), 8/22/01 (OMB), 3/8/02 (OMB), 3/12/02 (DOF), 8/9/02 (OMB), 8/12/02 (DOF), 2/12/03 (OMB), 2/18/03 (DOF)

Date(s) of response letter(s) received : 2/6/98 (OMB), 1/20/00 (AGO), 11/9/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 3/9/01 (AGO), 9/13/01 (meeting with OMB), 9/20/01 (OMB), 5/01 (DOF), 10/01/01 (DOF), 10/19/01 (OMB), 2/12/02 (meeting with AGO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 2/26/03 (OMB), 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Contracting Officers should initiate termination of the contracts of contractors which were identified as having been paid without performing their work. Inform the P&S Director who should carry out the required contract termination procedures. (Contracts C50322 and C50297 were already canceled, and therefore Recommendation 2 is not applicable to them).	DOF - Treasury for Contract C40113 C50108	Resolved Delinquent	<p>On 1/14/00, AGO and the Director of Procurement and Supply met with the contractor which resulted in the contractor agreeing to repay the Commonwealth \$96,100. The contractor signed a promissory note with the AGO for monthly payments of \$300 to the CNMI Treasury beginning 2/15/00.</p> <p>During the 2/12/02 meeting, AGO informed OPA that the contractor in this matter remains in compliance with the settlement promissory note and therefore AGO just needs to continue to monitor compliance.</p>
3. The Contracting Officers should recover payments (including interest) made to contractors whom we identified as having been paid without performing their work, and refer those who refuse to pay to the AGO for legal action.			<p>Upon verification from DOF-Treasury, total payments made on the promissory note amounted to \$4,200, leaving a balance of \$91,900 still to be recovered.</p>

**Further Action Needed**

*For Contract Nos. C40113 and C50108 -*  
 Until full amount has been paid, DOF-Treasury should continuously provide OPA evidence (i.e., official receipts) of collections from the contractors which pay

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			directly to the CNMI Treasury. No further action is needed from AGO at this time.
	Office of Mgt. & Budget for Contract C40276	Resolved Active	<p>OMB and OPA agreed that the correct amount of overpayment on Contract C40276 is \$10,000. In a meeting on 9/13/01, OMB presented OPA with a payment schedule for the \$10,000 beginning 7/15/98 and ending 7/15/99. On 9/20/01, OMB wrote the contractor and stated that OMB has received notice that the contractor made two payments amounting to \$1,000 on the overpayment and requested the contractor to comply with the payment schedule. On 10/19/01, OMB informed OPA that the contractor notified OMB that total payments made amounted to \$8,000. OMB provided copies of the payment receipts. However, OMB will verify with Treasury if the receipts provided were made for Contract C40276.</p> <p>In his response dated 2/26/03, the Special Assistant for Management and Budget informed OPA that a total of \$9,000 of the \$10,000 overpayment has been collected from the contractor. OPA was provided with a copy of the latest payment receipt dated 11/15/02 for \$1,000. OPA was also informed by OMB that their requested validation of the payment receipts from the Division of Treasury has not been performed to date. OMB does not have access to these documents and the Division of Treasury seems unable to comply with their request. A follow-up letter has been sent by OMB to the contractor on 2/26/03 for the unpaid balance of \$1,000. There was no discussion made pertaining to recommendation 2 on providing (1) documentation evidencing completion of phase one by the contractor (i.e., Customs Manual), (2) copy of completely processed change order no. 2, and (3) documents explaining the reasonableness of the extension granted and billing statements supporting the \$24,000 charges upon completion of the scope of work.</p> <p>Given that the contractor has already paid 90% of the overpayment and the time lapsed since the inception of Contract</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
8. The Secretary of Finance should issue a memorandum instructing the DOF - Accounting Section to recover or offset from future payments the \$15,079 in overpayments to contractors.	DOF	Resolved Delinquent	C40276 , OPA has decided to close recommendation 2.  <i>Further Action Needed</i>  To close recommendation 3, OMB should follow-up on the unpaid balance of \$1,000 with the contractor.  In the 10/01/01 response from DOF, the Secretary of Finance stated that \$7,559 (for Contract no. C50083) of the \$15,079 in total overpayment has already been settled and that supporting documents regarding the settlement were provided to OPA. For the others in question which include \$1,020 (for Contract no. C50132) and \$6,500 (for Contract no. C50208), DOF requested that AGO initiate a recovery action, given the length of time involved and the improbability of a reply from both contractors.  In his 4/12/02 response, the Secretary of Finance provided OPA a copy of a memorandum requesting the Acting Director of Finance and Accounting to review the records pertaining to the payments in question and to issue a demand for payment immediately.  <i>Further Action Needed</i>  The Secretary of Finance should provide OPA with the documents evidencing settlement of the \$7,559 (for Contract no. C50083). In addition, DOF should provide OPA documents such as bills of collection to recover the overpayment of \$1,020 (for Contract no. C50132) and \$6,500 (for Contract no. C50208). The bills of collection can be used for referring the matter to the AGO.

**2. Report No. AR-99-04 issued October 28, 1999  
Executive Branch of the CNMI Government  
Audit of Professional Service Contracts  
From October 1, 1995 to May 4, 1998**

Date(s) of followup letter(s) sent : 11/23/99 (DOF), 11/26/99 (TMO), 1/5/00 (AGO), 7/12/00 (AGO), 7/13/00 (DOF), 1/17/01 (AGO), 1/19/01 (DOF), 8/21/01 (DOF) (AGO), 2/14/02 (AGO), 3/12/02 (DOF), 8/12/02 (DOF) (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 2/18/03 (DOF)

Date(s) of response letter(s) received : 1/12/00 (GOV), 1/20/2000 (AGO), 2/18/00 (DOF), 11/7/00 (meeting with Coordinating Group on AGO), 11/9/00 (DOF), 11/19/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 1/4/01 (DOF), 3/9/01 (AGO), 5/01 (DOF), 10/01/01 (DOF), 2/12/02 (meeting with AGO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. <i>As Redirected to AGO</i> - Take steps to recover payments (including interest) made to contractors which we identified as having been paid without performing their work.	AGO for Contracts C70180, C70301, C70149, 305559 and C70220	Resolved Delinquent	<p>The Governor concurred with the recommendation and provided OPA a copy of his memorandum issued on 8/17/99 to the Acting Attorney General requesting her to review the details of those specific contracts which were paid even though the scope of work was not performed, and to take appropriate actions to recover any payments made for work not performed.</p> <p>The Counsel to the Tinian Mayor concurred with the recommendation, and provided OPA a copy of a memorandum issued on 7/16/99 to the Acting Attorney General requesting legal action for Contract No. C70220 to recover the money paid to the contractor. In addition, the Counsel to the Tinian Mayor provided OPA an outline of the contract monitoring process which TMO has established as a stopgap measure while awaiting the interim or final revised procurement regulations.</p> <p>Based on the 11/7/00 meeting with AGO and the 3/9/01 status of referrals from AGO, the contract status is as follows:</p> <p>C70220 - A demand letter was sent in June 2000 asking the vendor to comply with the dispute process of the CNMI Procurement Regulations Section 5-201.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>There was no response received as to the dispute resolution, and AGO will file a court case on the matter. Potential recovery amounted to \$45,000 representing payment made to the contractor who failed to perform its work.</p>
			<p><i>C70180 and C70301</i> - AGO wrote to the contractor requesting documentation of work done under the contract. AGO is researching jurisdictional issues to determine whether or not an action can be filed locally or whether it should be filed in Arizona. Potential recovery amounted to \$208,400 representing payment made to the contractor who failed to perform its work.</p>
			<p><i>C70149</i> - AGO would have to file in the contractor's jurisdiction, and it was therefore agreed to close this matter.</p>
			<p><i>305559</i> - AGO considers this matter closed as it does not seem to warrant further action.</p>
			<p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to referrals for potential recovery of monies. For Contract nos. <i>C70180</i> and <i>C70301</i>, AGO informed OPA that there were jurisdictional issues involved, and it was therefore agreed to close the matter. For Contract no. <i>C70220</i>, AGO proceeded with legal action to recover \$45,000. In a follow-up letter to AGO dated 2/14/02, OPA compiled a list of its referrals for AGO to prioritize for action. The list included this recommendation.</p>
			<p><b>Further Actions Needed</b></p> <p>AGO does not intend to take any action on Contract nos. <i>C70180</i> and <i>C70301</i>. However, AGO should provide OPA copy of documents showing legal action taken to recover \$45,000 under Contract no. <i>C70220</i>.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>7. Issue a memorandum instructing the DOF - Accounting Section to recover the nearly \$1.49 million in overpayments by requesting contractors to return the amounts overpaid. Of these amounts, \$87,096.02 is immediately recoverable and \$1,400,955.91 is recoverable unless adequately supported by the contractors. If a contractor refuses to cooperate or repay the funds, the matter should be referred to the AGO for legal action.</p> <p>(Note: No further action required for contract nos. C50305, C60114, C60142, C70180, C70149, C60334).</p>	<p>DOF for Contracts C60196 C70156 C50388 and C60355</p>	<p>Resolved Delinquent</p>	<p>On 1/4/01, bills of collection for the following contracts were provided to OPA: Contract No. C60196 for \$1,320.94; Contract No. C70156 for \$2,426.45; Contract No. C50388 for \$1,619.66 (additional billing for \$2,000 to be provided).</p> <p>In the 10/01/01 response by DOF, the Secretary of Finance stated that the contractor for Contract no. C60355 has a claim against the CNMI for \$18,000. The CNMI refuses to pay the contractor's claim for lack of a change order. DOF is planning to charge the \$935 against the amount claimed by the contractor.</p> <p>For Contract no. C50388, DOF claims that the additional billing of \$2,000 to be provided to OPA is already included in the \$1.4 million which is separately recoverable. OPA looked into DOF's claim and ascertained that the \$2,000 was not included in the \$1.4 million.</p> <p>In addition, DOF is verifying all documents which were identified in the \$1.4 million as recoverable unless adequately supported. DOF provided OPA letters to three contractors requesting supporting documents for invoices under Contract nos. C50388, C31075, C60323, C60373, C70091, C70179, 300082-OC and C60196. DOF will inform OPA of any responses.</p> <p>In his 4/12/02 response, the Secretary of Finance informed OPA that DOF has sent out notices to four contractors. One contractor responded. Two of the notices were returned undelivered and one contractor replied asking for a more reasonable request given the amount of information and length of time that has elapsed.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<i>Further Actions Needed</i>
			<p>We consider the part of the recommendation pertaining to recovery of the overpayments on Contract Nos. C50305 and C60114 for \$56,158.49, on Contract No. C60334 for \$6,000, and on Contract No. C60142 for \$5,635.58 closed.</p>
			<p>We are redirecting the collection of overpayment for Contract No. C70180 of \$10,000 and for Contract No. C70149 of \$1,000 to the AGO. No further action is required from DOF.</p>
			<p>Of the \$87,096.02 in overpayments which is immediately recoverable, \$61,794.07 has already been recovered, \$6,000 need not be collected and \$11,000 has been redirected to the AGO leaving a balance of \$8,301.95 (Contract Nos. C60196, C70156, C50388, and C60355). Of the \$8,301.95, billing statements were sent to collect \$5,366.94 (for C60196, C70156 and C50388) leaving a balance of \$2,935.01 (for C50388 and C60355). Of the \$2,935.01, \$935 (for Contract no. C60355) will be offset against an amount payable to the same contractor. A bill of collection still needs to be sent out for the remaining \$2,000 (for Contract no. C50388).</p>
			<p>To completely close the recommendation pertaining to the remaining contractors, the Secretary of Finance should provide OPA copies of written documents showing actions taken to recover the overpayment (e.g., collection letter and CNMI treasury official receipts showing full recovery).</p>
			<p>The DOF Secretary should also provide OPA the results of the verification done by the DOF - Finance and Accounting Division Director as to the \$1,400,955.91 which is also recoverable unless adequately supported by the contractors.</p>

**3. Report No. AR-98-02 issued May 26, 1998  
Review of CNMI's Compliance with  
Government Vehicle Act and Regulations  
March 1995 to March 1997**

Date(s) of followup letter(s) sent : 9/09/98 (DLNR) (CDA) (DPW) (PDO) (SMO), 9/17/98 (DOF) (GOV), 9/18/98 (DLI) (SAA) (DCCA) (DPS) (WRO) (SENATE) (HOUSEREP) (LEGBUREAU) (TMC) (BOE) (BOELEC) (CPA) (CUC) (NMIRF) (TCGCC) (LIBCOUNCIL), 9/21/98 (EMO) (DOC) (DPH) (SPMC) (SPRC) (TMO) (RMO) (NIMO) (SMC) (RMC) (CSC) (NMC) (MVB), 9/22/98 (OMB), 10/16/98 (TMO) (CSC), 10/28/98 (TMO), 4/22/99 (EMO), 7/19/99 (DPS), 11/22/99 (BOE) (BOELEC) (CUC) (DCCA) (DLI), 11/23/99 (CPA) (DOC) (DOF) (DPH) (DPS) (EMO) (GOV) (HOUSEREP) (LEGBUREAU) (LIBCOUNCIL), 11/24/99 (MVA) (NIMO) (NMC), 11/26/99 (OMB), (NMIRF), 11/29/99 (RMC), (RMO), (SPMC), (SPRC), (SMC), (SAA), (SENATE), (TCGCC), (TMC) (WRO), 1/17/00 (NMIRF), 7/3/00 (GOV), 7/6/00 (EMO) (LEG) (MVA), (RMO) (DCCA), 7/11/00 (BOE) (CPA) (CUC) (DLI) (LIBCOUNCIL) (NIMO) (RMC) (SENATE) (SPMC) (SPRC) (TMC) (WRO), 7/13/00 (DOF), 9/5/00 (NIMO), 7/00 (Verbal follow-ups made through the telephone), 9/6/00 (TMC) (LIBCOUNCIL) (SPMC), 1/16/01 (BOE), 1/17/01 (CPA), 1/18/01 (CUC) (DLI) (EMO) (RMC), 1/19/01 (DOF) (LEGBUREAU), 1/23/01 (SENATE), 1/24/01 (WRO), 1/30/01 (SPRC), 1/31/01 (RMO), 8/20/01 (CPA) (CUC), 8/21/01 (DOF) (RMC), 8/22/01 (LEGBUREAU) (WRO) (EMO) (SENATE) (BOE), 8/23/01 (DLI), 3/4/02 (EMO) (WRO), 3/5/02 (BOE) (SENATE), 3/12/02 (DOF), 8/9/02 (WRO), 8/12/02 (DOF), 2/18/03 (DOF)

Date(s) of response letter(s) received : 5/28/98 (DLI), 5/11/98 06/01/98 (DLNR), 6/04/98 (CDA), 6/29/98 (DPW), 7/01/98 (DCCA), 7/31/98 (PDO), 8/24/98 (SMO), 10/1/98 (TMO), 10/06/98 (CSC), 10/8/98 (DCCA), 10/13/98 (HOUSEREP), 10/15/98 (SAA), 10/21/98 (TMO), 11/6/98 (HOUSEREP), 2/25/99 (DPH), 4/7/99 (EMO), 4/8/99 (NIMO), 4/14/99 (TCGCC), 4/26/99 (DOC), 6/30/99 (DPS), 11/24/99 (BOE), 12/1/99 (NMIRF) (NMC), 12/3/99 (SPMC), 12/6/99 (OMB), 1/3/2000 (SMC), 1/12/00 (GOV) 1/20/2000 (NMIRF), 7/14/00 (SPMC), 7/16/00 (LIBCOUNCIL), 7/19/00 (NIMO) (RMO), 7/20/00 (TMC), 8/25/00 (MVA), 9/29/00 (DOF), 12/7/00 (meeting with Coordinating Group on DOF), 2/8/01 (RMO), 2/21/01 (SPRC), 8/29/01 (DLI), 8/30/01 (LEGBUREAU), 9/4/01 (meeting with EMO), 9/21/01 (RMC), 9/27/01 (CUC), 9/25/01 (WRO), 10/01/01 (DOF), 10/12/01 (CPA), 3/15/02 (SENATE), 3/20/02 (BOE) (EMO) (WRO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 8/21/02 (WRO), 8/23/02 (WRO), 8/26/02 (WRO), 8/30/02 (WRO), 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of Finance should instruct the Director of Procurement and Supply to:	DOF Proc. & Supply	Resolved Active	In the 10/1/01 response from DOF, the Secretary of Finance stated that DOF is currently updating the vehicle regulations to include items (a) and (c) of Recommendation

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>a) Develop written procedures for marking of government vehicles (except law enforcement vehicles and vehicles used by elected officials). Among other things, the written procedures should specify 1) the period when markings should be made (e.g., within a specified time frame after vehicle has been delivered by vendor); 2) the information to be included in the markings, such as the agency name, and if the vehicle is government-owned, the property number as well; 3) the exact size of the markings that will allow them to be visible and readable even when the vehicle is in motion; 4) the exact placement of the markings on the door; and 5) the material to be used for marking.</p> <p>(Note: The marking should show the agency's full name and not just the acronym or the first letters of the agency's name. Use of full name instead of acronym readily identifies the agency accountable for the vehicle, and prevents mistaking one agency for another that has the same acronym.)</p>			<p>2. OPA was provided the initial draft copy of the regulations. In addition, DOF provided OPA a government vehicle inventory listing as of January 2001 which addressed item (b) of the recommendation.</p> <p>In his 4/12/02 response, the Secretary of Finance informed OPA that revisions to the amended Government Vehicle Regulations are near completion, and a copy will be provided to OPA upon their adoption.</p>
			<p><b>Further Action Needed</b></p>
			<p>DOF should provide OPA copies of the revised Government Vehicle Regulations upon their adoption.</p>
<p>b) Maintain updated government vehicle inventory listings and conduct periodic inventories of all government vehicles on Saipan, Rota, and Tinian.</p>			
<p>c) Revise the standard vehicle specifications and features guidelines issued by the Procurement and Supply Division to emphasize that procurement of vehicles with factory-tinted windows is prohibited by statute. Reject purchase requisitions made by</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

any government agency to procure vehicles that do not conform to the standard vehicle specifications and features guidelines.

**4. Report No. AR-98-03 issued June 24, 1998  
Audit of CNMI Government  
Employees' Time and Attendance  
July 1995 to June 1997**

Date(s) of followup letter(s) sent	:	7/16/98 (GOV), 7/16/98 (DLNR), 9/9/98 (DLNR), 8/04/98 (PDO), 9/1/98 (TMO), 9/17/98 (DOF), 9/18/98 (DCCA), 9/21/98 (DPW) (SMO) (DOC) (CSC) (DPH) (NIMO) (RMO) (RMC) (SMC) (TMO) (SPRC) (SPMC) (NMC) (PSS), 9/22/98 (OMB), 4/21/99 (DPW), 4/22/99 (SMC), 4/30/99 (DOC), 11/22/99 (DCCA), 11/23/99 (DOC) (DOF) (DPH) (DPW), 11/24/99 (NIMO) (NMC), 11/26/99 (OMB) (PDO) (PSS), 11/29/99 (RMC) (RMO) (SPMC) (SPRC) (SMC) (SMO) (TMO), 3/8/00 (TMO), 7/3/00 (DPW), 7/6/00 (RMO) (SMO), 7/11/00 (NIMO) (NMC) (PDO) (PSS) (RMC) (SPRC), 7/13/00 (DOF), 9/5/00 (NIMO), 11/8/00 (CAO), 1/15/01 (PSS), 1/18/01 (NMC) (PDO) (RMC) (SMC), 1/19/01 (CAO), 1/22/01 (SMO), 1/30/01 (DCCA) (SPRC), 1/31/01 (RMO), 8/20/01 (NMC) (PSS), 8/21/01 (RMC), 8/22/01 (SMC) (SPRC) (SMO) (DCCA), 9/19/01 (SPRC), 3/4/02 (DCCA) (NMC) (SMO), 3/5/02 (RMC) (SPRC), 3/11/02 (PSS), 8/9/02 (SMO) (RMC), 8/12/02 (NMC) (PSS), 2/12/03 (RMC)
Date(s) of response letter(s) received	:	7/15/98 (GOV), 7/10/98 (DLNR), 7/24/98 (DLNR), 7/22/98 (PDO), 10/13/98 (SMC), 10/15/98 (TMO), 10/21/98 (TMO), 12/10/98 (DPW), 4/8/99 (NIMO), 4/26/99 (DOC) (SMC), 12/1/99 (NMC), 12/3/99 (SPMC), 12/6/99 (OMB), 12/13/99 (DPH), 1/3/00 (SMC), 2/2/00 (SMC), 2/00 (DOF), 3/8/00 (TMO), 7/3/00 (TMO), 7/19/00 (NIMO) (RMO), 9/8/00 (DPW), 10/3/00 (meeting with Coordinating Group on DCCA), 10/12/00 (CAO), 1/29/01 (CAO), 2/8/01 (RMO), 2/15/01 (PDO), 2/16/01 (PSS), 2/21/01 (SPRC), 3/29/01 (follow-up telephone conversation with the PDO), 3/29/01 (follow-up telephone conversation with NMC), 8/27/01 (SMC), 9/21/01 (RMC), 3/7/02 (meeting with Saipan Mayor), 3/20/02 (SMO), 3/21/02 (SPRC), 3/21/02 (meeting with DCCA Secretary), 4/3/02 (DCCA), 8/13/02 (NMC), 8/22/02 (SMO), 5/24/02 (PSS)



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
74. Take appropriate disciplinary actions against the three employees who were AWOL.	RMC	Open Delinquent	<p>In his 9/21/01 response, the RMC Chairman disclosed that appropriate disciplinary action was taken against the three employees who were AWOL but failed to provide us the details of the actions taken.</p> <p><b>Further Actions Needed</b></p> <p>Recommendation 74 - The Chief of Staff should provide OPA a copy of the memorandum taking appropriate disciplinary actions against the three employees who were AWOL.</p> <p>Recommendation 75 - The Chief of Staff should provide OPA copies of the applications for leave and STS evidencing that the employees were charged leave.</p>
75. Adjust the leave charges of the three employees by charging each of them as AWOL and crediting each of them regular hours or annual/sick leave.			
79. Discuss with the heads of other agencies the possibility of permanent transfer for 7 temporarily assigned employees, review its staffing requirements, and request only the number of FTEs actually needed by the office.	RMC	Open Delinquent	<p>In his 9/21/01 response, the RMC Chairman stated that they have discussed the possibility of transferring some of their employees but given the current economic and budget situation of the Commonwealth, they will hold the status quo until they see what direction the economy takes.</p> <p><b>Further Action Needed</b></p> <p>The Chief of Staff should inform OPA if further discussions with the heads of other agencies were engaged in and if they finally decided to transfer their employees.</p>

**5. Report No. LT-00-01 issued February 16, 2000  
Compilation of CNMI Government-Paid Travel  
For Fiscal Year 1997**

Date(s) of followup letter(s) sent : 2/16/00 (CDA), 7/3/00 (CDA), 7/6/00 (NMIRF) (HOUSEREP), 7/11/00 (CPA) (CUC) (GOV) (SENATE) (NMC), 1/17/01 (CPA), 1/18/01 (CUC) (NMC), 1/19/01 (NMIRF), 1/23/01 (HOUSEREP) (SENATE), 1/30/01 (GOV), 8/20/01 (CPA) (NMC) (CUC), 8/21/01 (NMIRF), 8/22/01 (Legislature) (GOV) (SENATE), 3/4/02 (CUC) (GOV) (HOUSEREP) (NMC), 3/5/02 (NMIRF) (SENATE), 8/9/02 (NMIRF), 8/12/02 (NMC) (CUC) (GOV), 2/12/03 (GOV), 2/18/03 (NMIRF)

Date(s) of response letter(s) received : 2/16/00 (CDA), 2/17/00 (NMIRF), 9/27/01 (CUC), 10/4/01 (NMIRF) letter of request for extension to respond until 11/3/01), 10/12/01 (CPA), 3/11/02 (HOUSEREP), 3/15/02 (SENATE), 8/13/02 (NMC), 9/5/02 (CUC)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. Strictly enforce the requirement of not granting requested new travel advances to travelers with unliquidated travel advances, and the required sanction of payroll deduction for travelers who failed to timely file TVs. Travelers such as board members who are not part of the government payroll should be required to immediately repay the advances when a complete TV is not timely filed.	<u>Action Required</u> <u>No. 1 and 2</u> NMIRF  <u>Action Required</u> <u>No. 1</u> Gov.	Open Delinquent	The response from the NMIRF Acting Administrator did not address the recommendation. The Governor's response did not reemphasize the requirement of not granting requested new travel advances to travelers with unliquidated travel advances.  <b>Further Action Needed</b>  Provide OPA copies of the written instruction to the person in charge of issuing and liquidating travel advances regarding strict enforcement of the (1) requirement of not granting requested new travel advances to travelers with unliquidated travel advances, and (2) required sanction of payroll deduction for travelers who fail to timely file TVs

This page was intentionally left blank.

# Autonomous Agencies

---

Commonwealth Development Authority  
Commonwealth Ports Authority  
Commonwealth Utilities Corporation  
Marianas Public Lands Authority  
Northern Mariana Islands Retirement Fund  
Public School System  
Tinian Casino Gaming Control Commission

# Commonwealth Development Authority

**I. Report No. AR-00-02 issued on July 10, 2000  
Commonwealth Development Authority  
Audit on Procurement and Costs of Renovating the CDA's Leased Building  
January 1998 to August 1999**

Date(s) of followup letter(s) sent : 1/19/01 (DOF), 1/22/01 (CDA), 1/23/01 (Legislature), 8/21/01 (DOF), 8/22/01 (Legislature) (CDA), 3/4/02 (Legislature), 3/5/02 (CDA), 3/12/02 (DOF), 8/12/02 (Legislature) (DOF) (AGO), 10/3/02 (AGO), 2/12/03 (Legislature), 2/14/03 (AGO), 2/18/03 (CDA) (DOF)

Date(s) of response letter(s) received : 9/26/00 (DOF), 2/8/01 (CDA request for extension until 3/2/01), 3/1/01 (CDA), 10/01/01 (DOF), 2/12/02 (meeting with AGO), 3/11/02 (CDA), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 5/31/02 (CDA), 3/13/03 (meeting with Speaker of the House), 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The CDA Board Chairman should immediately take steps to obtain reimbursement from the lessor of the amount of accrued interest on public funds advanced for the parking lot improvements amounting to \$9,278.31.	CDA	Resolved Delinquent	<p>In his 3/11/02 response, the CDA Comptroller informed OPA that the lessor agreed to reimburse the interest from the parking lot loan. OPA was provided a copy of an agreement where it was stipulated that from November 1, 2001 through October 1, 2006, \$108.38 will be deducted from the \$8,000 monthly rent as payment of interest due from the loan related to parking lot improvements.</p> <p>As of 4/3/02, the lessor has paid \$325.14 of the total interest leaving a balance of \$8,953.17 still collectible.</p> <p>In his 5/31/02 response, the CDA Comptroller stated that CDA will inform OPA of the amounts received from the borrower on an annual basis.</p> <p><b>Further Action Needed</b></p> <p>CDA should provide OPA copies of documents evidencing receipt of payment of the \$9,278.31 in accrued interest until fully collected.</p>
2. The Legislature should amend 1 CMC §7402 of the Planning and	Legislature	Resolved Active	In a meeting with the Speaker of the House on 3/13/03, OPA was informed that

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>Budgeting Act to specifically provide that unused budget authority may not be transferred to subsequent years, and to provide sanctions for violations.</p>			<p>the Legislature intends to introduce legislation to amend 1CMC §7402 to comply with OPA's recommendation.</p> <p><b>Further Action Needed</b></p> <p>We consider this recommendation resolved until appropriate legislation is introduced to amend 1 CMC §7402.</p>
<p>4. <i>Original:</i> The Secretary of Finance should require P&amp;S to assess CDA's capability to administer its own procurement regulations. More specifically, P&amp;S should determine whether CDA has adopted the CNMI's procurement regulations. If so, P&amp;S should assess whether CDA has the staff capability to carry out the functions P&amp;S would normally administer, and then make a decision as to whether CDA should be delegated procurement authority.</p> <p><i>As Redirected:</i> AGO should provide a legal opinion on whether or not CDA has the statutory authority to promulgate its own regulations, as requested by the Secretary of Finance.</p> <p><i>As Revised:</i> After receipt of the legal opinion from AGO, DOF should assess whether CDA has the staff capability to carry out the functions P&amp;S would normally administer, and then make a decision as to whether CDA should be delegated procurement authority.</p>	DOF/AGO	Resolved Delinquent	<p>In the 10/01/01 response from DOF, the Secretary of Finance stated that they cannot resolve the recommendation without a legal determination from AGO whether CDA has the statutory authority to promulgate its own procurement regulations. DOF provided OPA with a copy of their third request to AGO.</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring AGO's legal opinion.</p> <p>On 4/12/02, the Secretary of Finance provided OPA copies of DOF's memorandum to the AGO requesting a legal opinion on the matter.</p> <p><b>Further Action Needed</b></p> <p>We consider the recommendation open until (1) the Attorney General rules on whether or not CDA has the statutory authority to promulgate its own regulations, as requested by the Secretary of Finance; (2) if it does not, P&amp;S determines whether CDA has the staff capability to carry out the functions P&amp;S would normally administer; and (3) P&amp;S then makes a decision as to whether CDA</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

should be delegated procurement authority.

**2. Report No. AR-02-03 issued on September 20, 2002  
Commonwealth Development Authority  
Audit of Loans Receivables as of September 30, 2001**

Date(s) of followup letter(s) sent : 2/18/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

1. CDA Board should develop and follow procedures and guidelines that would provide managers and board members sufficient basis to:	CDA	Resolved Active	Submit to OPA a copy of revisions made to its procedures that address specific areas enumerated in Recommendation 1.
---	-----	--------------------	--

- prohibit the approval of loans to borrowers having no capacity to repay loans. CDA should seriously consider prospective borrowers' past collection problems and defects in credit ratings when evaluating loan applications;
- prohibit the granting of supplemental loans to highly delinquent borrowers as this circumvents the loan payment process, with the borrower using the additional loan proceeds to update his or her loan;
- prohibit granting loan remedies to highly delinquent borrowers. CDA should approve loan revisions sparingly, and discourage repeated and routine approval of loan revisions as this practice masks delinquent borrowers by making their loans appear current.
- help enforce the foreclosure of collateral of delinquent borrowers.
- prohibit borrowers from

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>substituting or selling mortgaged collateral unless they use the proceeds to repay outstanding loans.</p> <ul style="list-style-type: none"> <li>require that updated appraisal reports of collateral be obtained before initial and supplemental loans are granted. Also, appraisals of collateral property should be updated whenever the outstanding loan amounts have increased substantially.</li> </ul>			
<p>2. The CDA Executive Director should issue a policy memorandum reminding management and Board members to strictly enforce DCD rules and regulations concerning the: (a) 20 percent equity requirement, (b) 20-year maximum loan term, (c) conflicts of interest, and (d) insurance requirements and any civil and criminal penalties for failure to do so.</p>	CDA	Resolved Active	CDA should provide OPA with a copy of policy memo that reminds management and board members to strictly enforce DCD rules and regulations cited in Recommendation No. 2.
<p>3. The CDA Legal Counsel and the Attorney General's Office continue to take necessary legal action to foreclose collateral of borrowers' highly delinquent loans.</p>	CDA	Resolved Active	CDA should provide OPA with documentation showing that it has taken legal action on its most delinquent loans.



# Commonwealth Ports Authority

**I. Report No. AR-95-17 issued October 2, 1995  
 Audit of Board-Related Transactions and Purchase of Vehicles  
 for the Department of Public Works**

Date(s) of followup letter(s) sent : 11/20/95, 3/7/96, 12/5/96, 2/02/98, 9/18/98, 11/22/99, 7/11/00, 1/17/01, 8/20/01, 3/5/02, 8/9/02, 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 3/27/96, 12/24/96, 3/27/99, 10/12/01, 1/29/02, 8/21/02 (CPA request for extension), 8/30/02

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. <i>Original:</i> The CPA Board Chairman should recover the \$42,191 in improper reimbursements from the board members unless they can specifically identify the expenses as CPA official business and/or present supporting documents.</p> <p><i>As Revised and Redirected to AGO:</i> Determine appropriate legal action to be taken to pursue collection from the board members of the remaining balance of \$40,131 which was improperly reimbursed.</p>	<p>CPA - Redirected to AGO</p>	<p>Resolved Delinquent</p>	<p>In his letter response dated 3/27/96, the former Board Chairman stated that out of the \$42,191 improper reimbursements, \$2,060 has been repaid (\$808.60 was offset against travel receivables and \$1,251.60 was directly paid to CPA), leaving a balance of \$40,131 still collectible.</p> <p>On 10/12/01, the CPA Executive Director informed OPA that this matter was referred to AGO for review and action. AGO has yet to issue a determination on whether the recommendation should be pursued in court. CPA suggested that OPA ask AGO for a response in this matter.</p> <p>In his response dated 8/30/02, the CPA Executive Director provided OPA with a copy of its referral letter to AGO dated 12/24/96.</p> <p><b>Further Action Needed</b></p> <p>The AGO should notify OPA of actions taken to pursue collection from the board members of the remaining \$40,131 which was improperly reimbursed.</p>

**2. Report No. AR-00-03 issued July 20, 2000  
Commonwealth Ports Authority  
Audit of the Compensatory Time Claimed and Retirement Benefits  
Paid to Two Former Officials of the CPA**

Date(s) of followup letter(s) sent : 1/17/01 (CPA), 1/19/01 (NMIRF), 8/20/01 (CPA), 8/21/01 (NMIRF), 3/5/02 (CPA) (NMIRF), 8/9/02 (CPA) (NMIRF), 8/12/02 (AGO), 10/3/02 (AGO), 12/24/02 (AGO), 2/14/03 (AGO) (CPA), 2/18/03 (NMIRF)

Date(s) of response letter(s) received : 8/31/01 (meeting with CPA), 10/4/01 (NMIRF letter of request for extension to respond until 11/3/01), 10/12/01 (CPA), 1/29/02, 2/12/02 (meeting with AGO), 8/21/02 (CPA request for extension), 8/30/02 (CPA), 9/25/02 (CPA), 4/2/03 (NMIRF)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original:</i> The CPA Board of Directors should adopt personnel rules and regulations that are: (a) within the authority granted by the Commonwealth Ports Authority Act and other CNMI laws such as the Compensation Adjustment Act, (b) consistent with and governed by the same principles of fairness and equality as the CNMI Personnel Regulations, thereby eliminating authorization for FLSA-exempt (executive, administrative and professional) officials and employees to earn comptime, and the granting to six designated officials of 14 annual leave hours per payperiod, or 360 hours per year.</p> <p><i>As Redirected:</i> The AGO should review the opinion provided by OPA regarding granting six designated officials 14 annual leave hours per payperiod and take legal action if determined necessary.</p>	<p>CPA Redirected to AGO</p>	<p>Open Active</p>	<p>In his letter response dated 5/12/00, the CPA Board Chairman disagreed with Recommendation 1. He believed that CPA is not required or obliged to adopt rules and regulations similar or identical to the CNMI Personnel Regulations. He also stated that CPA's system of compensation is generally commensurate with the rest of the Commonwealth government. He further said that the granting of 14 hours annual leave per pay period to designated officials is a matter of personnel policy.</p> <p>In his 10/12/01 response, the CPA Executive Director also disagreed with OPA's conclusion that CPA is required to adopt personnel rules and regulations that are similar, if not identical, to the CNMI's PSSRR. He stated that matters involving CPA personnel regulations, policies and benefits are strictly for the CPA board to decide. The Executive Director, suggested that the legislature could always review the matter and make recommendations to CPA to enact remedial legislation.</p> <p>In the proposed CPA Personnel Rules and Regulations, the CPA Executive Director has proposed provisions enumerated under Sections 3.05 and 3.07 which addressed OPA's recommendation of eliminating the grant to FLSA-exempt officials and employees to earn overtime or comptime. Also,</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>Section 5.02 of the proposed Personnel Rules and Regulations states that “Employees shall accumulate annual leave at the same rate as such leave time would be accumulated by employees of the Government of the Commonwealth of the Northern Marianas Islands.” However, upon inquiry to the CPA Office Manager, OPA learned that CPA still granted the 14 annual leave hours for the last personnel contract executed. The proposed Personnel Rules and Regulations were published in the Commonwealth Register on January 29, 2002 for review and comments by interested parties until February 29, 2002.</p> <p>In his response dated 8/30/02, the CPA Executive Director informed OPA that CPA’s Personnel Rules and Regulations were adopted on August 8, 2002 and were published in the Commonwealth Register. He also stated that CPA’s Personnel Rules and Regulations are similar to the PSSRR in terms of personnel regulations, benefits and policies’, however, the CPA Board decided to continue the accrual of 14 hours annual leave bi-weekly for several of its key management employees. On 9/16/02, OPA requested CPA for additional information on the matter.</p> <p>Based on additional information CPA provided to OPA on 9/25/02, OPA conducted an analysis of the various CPA positions that are currently receiving the 14 hours annual leave benefit per pay period. Based on the analysis, OPA concluded that the positions of the deputy director, deputy comptroller, and the staff engineer may not be entitled to 14 hours annual leave per pay period because they are not encompassed in the exception provided by 2 CMC §2122(n) and are not considered to be “specialists for which no comparable position exist in the Commonwealth”. Thus, the compensation, wages, and salary scales of these positions “shall be commensurate with those paid by the</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>5. <i>Original:</i> The CPA Board of Directors should instruct the CPA Accounting Department to stop the practice of making advance payments of unused annual leave and salary, and comply with the provision in the employment contracts that payments will be made upon contract expiration. In the case of retiring employees not covered by employment contracts, payment should be made on the next payday following the termination of employment or on payroll due dates.</p> <p><i>As Redirected:</i> The AGO should provide its legal opinion on the propriety of CPA's practice of making advance payments of unused annual leave and salary, instead of complying with the provision in the employment contracts that payments will be made upon contract expiration. In the case of retiring employees not</p>	CPA Redirected to AGO	Resolved Delinquent	<p>Commonwealth requiring comparable education, training, or experience.” Based on the analysis, OPA also concluded that while certain positions such as the executive director, comptroller and ports managers, are able to receive compensations non-commensurate “with those paid by the Commonwealth requiring comparable education”, OPA maintains its concerns regarding the extension of such generous leave benefits and whether such compensation is truly “reasonable related to the operations of the government” as set forth in Article X, Section 1 of the NMI Constitution, Public Laws 12-2 and 11-84. On 12/24/02, OPA forwarded this information to the AGO for review of the legal issues identified and action if determined necessary.</p> <p><b>Further Action Needed</b></p> <p>The AGO should provide OPA the results of its review on the matter.</p> <p>In his 10/12/01 response, the CPA Executive Director disagreed with the recommendation and stated that there is nothing illegal about making advanced leave payments for annual leave that has already accrued or advancing a salary that an employee has already earned. He further stated that this is a matter that rests exclusively with the CPA Board.</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring AGO's legal opinion.</p> <p><b>Further Action Needed</b></p> <p>AGO should provide OPA a copy of its legal opinion on the matter.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
covered by employment contracts, payment should be made on the next payday following the termination of employment or on payroll due dates.			
6. The CPA Board Chairman should request the NMI Retirement Fund to (a) adjust the pension amount of the former CPA Executive Director based on the average annual salary and creditable years of service per audit, (b) discontinue pension payments to the former CPA Security Chief who is not qualified to receive early retirement benefits, and (c) recover improper payments of retirement benefits to the two former CPA officials in accordance with the NMIRF Act.	CPA	Closed	This recommendation has already been addressed by the NMIRF. The CPA Executive Director, in his 10/12/01 response, informed OPA that NMIRF has reduced the pension benefit of the former Executive Director and discontinued the pension benefit of the former Chief of Security. OPA was also provided a copy of the final hearing decisions of the Board of Trustees of the NMIRF in which the Board affirmed the decision and actions of its Administrator in re-calculating and adjusting the retirement benefits of the Former CPA Executive Director and in terminating the retirement benefit of the Former Chief of Security dated 2/15/01 and 6/21/01, respectively.
8. The Fund Administrator should instruct his staff to recalculate and adjust the pension benefits of all other fund members by disregarding overtime and comptime hours that were considered as additional credited service.	NMI Retirement Fund	Resolved Active	<p>NMIRF obtained the legal opinion of AGO on whether overtime and compensatory time can be used to determine the benefit amount of a retirement annuity.</p> <p>AGO in its legal opinion dated 6/9/00, stated that overtime and compensatory time may not be used to calculate the amount of benefit, but only for determining eligibility for retirement. AGO also stated that overtime and compensatory time cannot be used to determine the amount of the benefit paid to a retiree by the Retirement Fund.</p> <p>AGO recommended that re-calculation of benefits to affected members should be made, and the amount of overpayments should be determined. AGO further stated that members should be informed and advised of their right to appeal an adverse determination. If no appeal is filed, then the collection process must be undertaken by the NMIRF.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
9. The Fund Administrator should recover improper payments to the two former CPA officials totaling \$126,730.06, and also from all other fund members who have been overpaid by including overtime and comptime in the computation of their retirement annuity. If any problems exist in recovering overpayments, refer the matter to the Attorney General for legal action.	NMI Retirement Fund	Resolved Active	<p>The Fund is in the process of determining which beneficiaries have been overpaid. Further actions will be taken after this determination, <i>i.e.</i>, informing affected beneficiaries, appeal and collection process, etc.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA evidence that corrective action to adjust the benefits of all other affected fund members has been taken based on AGO's legal opinion.</p> <p>On 5/15/00, the Fund began withholding 50% of the former CPA Executive Director's semi-monthly pension. The Fund also conducted two separate agency hearings in connection with the retirement benefits improperly paid or being paid to the former Executive Director and former Security Chief. In its decision dated 2/15/01, the Fund's Board of Trustees affirmed the decision and actions of its Administrator in terminating the retirement benefit of the former Security Chief. Also, in a letter dated 7/27/00, AGO concurred with the findings of OPA and determined that the overpayment to the former Security Chief of CPA must be recovered. The Fund's Board of Trustees has not yet issued its decision on the case of the former Executive Director.</p> <p>On 4/2/03, OPA was provided with a copy of the Board of Trustees decision dated 6/21/01 in which it affirmed the decision and actions of its Administrator in recalculating and adjusting the retirement benefits of the Former Executive Director. OPA was informed, however, that the Former Executive Director had appealed the Board's final decision to the Superior Court (Civil Action No. 00-0409E) and the case is still on-going.</p> <p><b>Further Action Needed</b></p> <p>NMIRF should provide OPA (1) evidence of a written settlement plan with the former CPA Security Chief requiring repayment to the Retirement Fund and (2) the results</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
10. The Fund Administrator should inform all government agencies how to compute retirement annuities, clearly explaining that overtime and comptime hours may not be considered as part of credited service.	NMI Retirement Fund	Open Delinquent	<p>of the Superior Courts decision in reference to the appeal made by the Former Executive Director to the Superior Court.</p> <p>AGO in its legal opinion dated 6/9/00, stated that overtime and compensatory time may not be used to calculate the amount of benefits, but only to determine eligibility for retirement. AGO also stated that overtime and compensatory time cannot be used to determine the amount of the benefits paid to a retiree by the Retirement Fund. The Fund Administrator has yet to begin informing all government agencies about the proper computation of retirement annuity, clearly explaining the exclusion of overtime and comptime from credited service based on AGO's legal opinion.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA evidence that the recommendation has been implemented.</p>

# Commonwealth Utilities Corporation

## I. Report No. AR-95-12 issued August 16, 1995 Audit of Advances to the Former Executive Director

Date(s) of followup letter(s) sent : 12/3/96, 2/20/97 (AGO), 2/02/98, 3/3/98 (AGO), 6/9/98 (AGO), 9/18/98, 11/22/99, 1/26/99, 1/5/00 (AGO), 7/11/00 (CUC), 7/12/00 (AGO), 1/17/01 (AGO), 1/18/01 (CUC), 8/20/01 (CUC), 3/4/02 (CUC), 8/12/02 (CUC), 2/14/03 (CUC)

Date(s) of response letter(s) received : 4/4/97 (AGO), 4/20/98 (AGO), 7/18/00 (CUC), 11/7/00 (meeting with Coordinating Group on AGO), 3/9/01 (AGO), 9/27/01 (CUC), 9/5/02 (CUC)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. The CUC Executive Director should establish and implement written policies and procedures regulating official representation, entertainment, and other expenses of similar nature. The policy should clearly indicate the officials authorized to incur such expenses, the circumstances when such expenses may be incurred, dollar limits on the amount that may be spent, and the places where such entertainment may be conducted. The procedures should include instructions on how to request advances and document official representation expenses.	CUC	Resolved Delinquent	<p>On 7/18/00, the Executive Director provided OPA with a draft copy of policies regulating official representation and business entertainment expenses.</p> <p>In his 9/27/01 response, the CUC Executive Director stated that CUC will prepare to adopt the official representation policies at their next regular Board meeting.</p> <p>In his response letter dated 9/5/02, the CUC Acting Executive Director informed OPA that the proposed Official Representation policy is still under review by its Legal Counsel. Upon review, the policy will then be presented to the CUC Board of Directors for its adoption.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA with a copy of the Official Representation policy upon its adoption.</p>
8. The CUC Executive Director should require the Comptroller to develop procedures on purchases requiring cash payment, wire transfers, and allowability of cash purchases for reimbursement.	CUC	Resolved Delinquent	<p>In his 9/27/01 response, the CUC Executive Director stated that the CUC Comptroller has been tasked to establish procedures to ensure compliance with Recommendation No. 8 (purchases requiring cash payment, wire transfers, and allowability of cash purchases for reimbursement).</p> <p>In his response letter dated 9/5/02, the CUC Acting Executive Director provided OPA with a copy of CUC's proposed policies and procedures for wire transfers.</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

*Further Action Needed*

CUC should provide OPA with a copy of the policies and procedures for wire transfers upon their adoption.

**2. Report No. LT-01-07 issued November 23, 2001  
Commonwealth Utilities Corporation  
Audit of Travel of the Board of Directors,  
Key Management and Other CNMI Government Officials  
from October 1999 through March 2001**

Date(s) of followup letter(s) sent : 3/4/02, 8/12/02, 2/14/03

Date(s) of response letter(s) received : 1/17/02, 9/5/02, 3/20/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

4. The Chairman of the Board and the Executive Director initiate recovery of any overpayments mentioned in this report.

CUC Resolved  
Active

The findings pertaining to TA's with erroneous per diem payments are considered resolved pending the submission of pertinent documents needed to close the recommendation.

On 9/5/02, CUC provided OPA with a schedule showing payment paid by Board Member 1 for TA no. 00-375 totaling \$471, and CUC Officer 1 and Board Member 7 for \$415 and \$525, respectively, for erroneous per diem payments.

In his response dated 3/20/03, the Chairman for the CUC Board of Directors informed OPA that CUC has reverted to paying the subsistence allowance as recommended in the OPA audit report but that the present CUC Board of Directors has sanctioned the overpayments of the concerned Board members for the difference between the per diem they

received and the subsistence allowance authorized and has provided justification for its decision, particularly in the case of the current board member who resides in Rota. On 4/21/03, OPA issued a letter to

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>the Chairman of the CUC Board of Directors informing him that the position taken by the Board of Directors causes OPA concern for two reasons. First, it is inconsistent. To collect refunds for the overpayment from two individuals, but to excuse the others is inequitable. In addition, to state that CUC has reverted to paying the subsistence amount, indicating recognition that it is the authorized amount, but allowing individuals to retain the excess received over the subsistence amount is contradictory. Second, the letter provided by the Chairman of the CUC Board of Directors does not reflect the legal authority for an after the fact sanctioning of what the text of his letter and actions against the former employee and board member appear to recognize to be an improper act. OPA informed the Chairman of the CUC Board of Directors that without clearer legal authority or additional information to support their decision to sanction the overpayments, the recommendation will remain open.</p> <p><b>Further Actions Needed</b></p> <p>CUC should provide OPA with the following:</p> <ul style="list-style-type: none"> <li>Documents evidencing payment made by Board Member 1, Board Member 3, Board Member 4 and Board Member 5 for TA's with erroneous per diem payments totaling \$2,815.</li> </ul>
		Open Active	<p>The findings pertaining to TA nos. 00-238 and 00-404 are considered open. We recommend that CUC reconsider its position on these matters. Total amount recoverable from the two TA's is \$289.</p>

**3. Report No. AR-02-01 issued August 27, 2002  
Commonwealth Utilities Corporation  
Audit of Small Purchases  
from October 1999 through March 31, 2001**

Date(s) of followup letter(s) sent : 2/14/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The CUC Board should amend CUC's Procurement Regulations to include:</p> <ul style="list-style-type: none"> <li>1. a clear definition of artificial division of purchases or split purchases;</li> <li>2. the procurement method to be followed in special circumstances, such as for urgently needed goods or services;</li> <li>3. An exception to the required 3 quotations when the number of available suppliers is very limited.</li> </ul>	CUC	Open Active	<p>CUC generally agreed with recommendations 1 to 3. However, in its letter response of June 22, 2002, it did not specifically address each recommendation.</p> <p>CUC recognized that most of the recommendations involved modifications to its existing procurement regulations. Accordingly, CUC began reviewing pertinent provisions to make them more applicable to the unique nature of CUC operations while retaining or strengthening safeguards to maintain public confidence in CUC's procurement.</p>
<p>2. The CUC Board should adopt policies and procedures for small purchases that:</p> <ul style="list-style-type: none"> <li>1. provide adequate guidance to CUC employees on determining split purchases or artificially divided purchases;</li> <li>2. define the coverage of emergency procurement under the after-the-fact procurement method specified in the CUC Comptroller's memorandum dated October 24, 2001;</li> <li>3. provide procedures for identifying and documenting actual or potential conflicts of interest, including procedures for ensuring that conflicted employees recuse themselves from participating in the procurement process.</li> </ul>	CUC	Open Active	<p><b>Further Actions Needed</b></p> <p>Recommendation 1 - CUC should provide OPA a copy of its duly adopted amendment to its Procurement Regulations addressing split purchases, the procurement method in special circumstances, and CUC's inability to obtain 3 quotations where the number of available suppliers is very limited.</p> <p>Recommendation 2 - The CUC Board should provide OPA a copy of the written policies and procedures for small purchases that provide adequate guidance to CUC employees in determining split purchases, defining the coverage of emergency procurement under the "after-the-fact" procurement method, and identifying and documenting conflicts of interest.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. The Executive Director should direct the Procurement and Supply Manager to:</p> <ol style="list-style-type: none"> <li>1. consolidate related purchase requests into one PO that is competitively procured if it exceeds the small purchase threshold;</li> <li>2. prepare periodic procurement plans covering anticipated needs for goods and services, useful in budgeting for CUC's needs;</li> <li>3. ensure that the requirement for 3 quotations is complied with and properly documented. Toward this end, a form showing vendors contacted, description of goods or service requested, vendors' prices and responses, as well as other pertinent information, would be useful;</li> <li>4. ensure that small purchases are issued with a PO including a requisition voucher as provided in the Comptroller's memorandum dated October 24, 2001, before the corresponding goods or services are delivered.</li> </ol>	CUC	Open Active	<p>Recommendation 3 - the CUC Executive Director should provide OPA a copy of the memorandum directing the P&amp;S Manager to consolidate related purchase requests into one PO that is competitively procured if it exceeds the small purchase threshold, prepare periodic procurement plans for anticipated needs, ensure that its requirement for 3 quotations is complied with and properly documented, and ensure that small purchases are issued with a PO and covered by a requisition voucher, before goods or services are delivered.</p>
<p>4. The Executive Director should remind CUC officials and employees involved in the procurement process of the need to comply with the conflict of interest provision in CUC's Procurement Regulations. Also, the Executive Director should remind accounting personnel to process vendors' payments supported with invoices.</p>	CUC	Open Active	<p>CUC agreed with the recommendation on conflict of interest. It also has the following plan of action, previously discussed with the Independent Auditor.</p> <ol style="list-style-type: none"> <li>(a) Develop a form for employees to list business entities where they or any member of their immediate family may have financial interest. The form would contain the following: <ul style="list-style-type: none"> <li>• a sworn declaration that in the event CUC employees or officials conduct business transactions with any of the organizations on the list or with any of the related parties, they</li> </ul> </li> </ol>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>will automatically withdraw from the procurement process; and</p> <ul style="list-style-type: none"> <li>• a statement acknowledging the employee's understanding of the conflict of interest provisions in the Procurement Regulations.</li> </ul> <p>(b) Educate CUC employees on the ethics provisions of the Procurement Regulations.</p> <p>CUC disagreed with the recommendation on payments without vendors' invoices. However, OPA maintains that CUC officials should only authorize payments on the basis of vendor invoices.</p> <p><b>Further Actions Needed</b></p> <p>CUC should provide OPA a copy of the memorandum reminding OPA officials and employees involved in the procurement process to comply with the provision on conflict of interest, including required procedures and copies of the forms discussed in (a).</p> <p>CUC should furnish OPA with the pertinent documents and provide a time frame in which the action will be implemented.</p>

# Marianas Public Lands Authority

**I. Report No. AR-95-18 issued October 10, 1995  
 Division of Public Lands (DPL)  
 (Currently Marianas Public Lands Authority)  
 Audit of Credit Card and Related Travel Transactions**

Date(s) of followup letter(s) sent : Verbal follow-ups made through the telephone, 11/29/96, 12/3/96, 2/20/97 (AGO), 11/20/97, 9/17/98 (AGO), 3/3/98 (AGO), 9/18/98 (DLNR), 11/23/99 (DLNR), 1/26/99, 1/5/00 (AGO), 7/6/00 (DPL), 7/12/00 (AGO), 1/17/01 (AGO), 1/24/01 (DLNR), 8/21/01 (AGO), 8/23/01 (OPL), 8/12/02 (MPLA) (AGO), 10/3/02 (AGO), 2/14/03 (AGO) (MPLA)

Date(s) of response letter(s) received : 11/14/95, 6/27/96, 4/4/97 (AGO), 9/11/97, 4/20/98 (AGO), 3/17/99, 10/21/99 (DPL), 1/20/00 (AGO), 6/2/00 (DPL), 9/27/00 (DPL), 10/31/00 (meeting with Coordinating Group on DLNR), 11/7/00 (meeting with Coordinating Group on AGO), 2/8/01 (DPL), 2/22/01 (DPL), 3/9/01 (AGO), 8/30/01 (OPL), 9/28/01 (OPL), 2/12/02 (meeting with AGO), 3/6/02 (MPLA), 8/19/02 (MPLA), 3/10/03 (MPLA)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original:</i> -The Secretary of DLNR should require the cardholders to reimburse the Marianas Public Land Corporation (MPLC) for all the unallowable and unsupported credit card charges, unless they can specifically relate the charges to MPLC official business and present supporting documents. If necessary, the Secretary of DLNR and the Director of DPL should seek the assistance of the Attorney General to recover the personal, unallowable, and unsupported credit card charges from the cardholders.</p> <p><i>As Revised and Redirected to the Attorney General's Office:</i> The Attorney General should take appropriate action to recover the personal, unallowable, and unsupported credit card charges from</p>	<p>AGO</p>	<p>Resolved Delinquent</p>	<p>The status of the actions taken against the five cardholders is as follows:</p> <p>a) The Former Executive Director entered into a settlement agreement in which he agreed to pay back in excess of \$54,000. The payment was made by release of retirement benefits that were owed to him, and by transferring private property to the CNMI government and waiving a potential land claim.</p> <p>b) The former Board Chairman and Rota Board member signed promissory notes for \$15,646.87 and \$25,673.29, respectively, with the AGO requiring monthly payments to the Division of Public Lands.</p> <p>c) The former Tinian Board member entered into a settlement agreement for \$11,657 payable in monthly installments of \$250 to DPL beginning January 2000.</p> <p>d) The case against the former Comptroller</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
the cardholders.	AGO	Resolved Delinquent	was tried as a bench trial in the CNMI Superior Court in January 2001. A judgment arising from that trial is pending.
2. <i>Original:</i> The Secretary of DLNR should recover from the cardholders the amount of \$45,698.	AGO	Resolved Delinquent	In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring specific actions to be taken by AGO.
<i>As Revised and Redirected to the Attorney General's Office:</i> The Attorney General's Office should take appropriate action to recover the amount of \$45,698 from the cardholders.			<b>Further Action Needed</b>
4. <i>Original:</i> The Secretary of DLNR should review and evaluate whether charges for official representation expenses were properly chargeable to MPLC, and recover improper charges from the former Executive Director.			AGO should provide OPA copies of documents showing conveyance of the former Executive Director's property to ensure settlement of the debt. In addition, AGO should provide copy of any judgment arising from the trial in the lawsuit filed against the former Comptroller.
<i>As Revised and Redirected to the Attorney General's Office -</i> The Attorney General's Office should take appropriate action to recover improper representation expense charges from the former Executive Director.			
6. The Secretary of DLNR should instruct the current Comptroller to determine the correct balance of the travel advance account, and forward advances not reimbursed to DOF for collection. The remaining travel advance balances of cardholders/travelers still working for the Government should be recovered through salary deduction. For employees/officials who no longer work for the Government, the assistance of the Attorney General should be sought to collect the outstanding balances.	DPL (currently Marianas Public Lands Authority)	Resolved Active	The former Tinian Board member opted to enter into a settlement agreement for \$11,657, to be paid in monthly installments of \$250 to the Marianas Public Lands Authority (MPLA), beginning January 2000. The former Board Chairman and Rota Board member both signed promissory notes for \$15,646.87 and \$25,673.29, and will make payments of \$50 and \$200 respectively, directly to MPLA. Total amount to be recovered is \$52,977.16.
			As a result, MPLA now maintains subsidiary ledgers to record payments received from the former Tinian Board member who signed the settlement agreement, and the former Board Chairman and Rota Board member who both signed promissory notes.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>As of February 2002, the former Tinian Board member has a balance of \$8,982, the former Board Chairman has a balance of \$10,321.84 and the former Rota Board member has a balance of \$15,873.29.</p> <p>In her response letter dated 8/19/02, the MPLA Commissioner stated that the former Tinian Board member and former Board Chairman have ceased making payments for the past several months. MPLA will be forwarding to its legal counsel the accounts of the two non-paying board members to initiate legal action to collect the accounts.</p> <p>The former Rota Board member submitted a request on 8/5/02 to waive the total interest assessed against his unpaid balance and to pay the principal balance in installments. According to the MPLA Commissioner, the request will be presented to the Board for consideration.</p> <p>In a response letter dated 3/10/03, the Commissioner of MPLA stated that the former Rota Board member signed a promissory note on 1/29/03 pledging his private land on Rota to secure his debt. However, the note is incomplete pending the signatures of the AGO and MPLA. MPLA is currently finalizing the note for review and approval by the Attorney General and all the parties.</p> <p>MPLA has requested a meeting with the former Chairman of the Board to discuss the settlement of his outstanding obligations. If the former Chairman of the Board does not contact MPLA by mid-March 2003, he will be given a written notice setting a deadline to settle his obligations or MPLA will commence legal proceedings to enforce payment of his obligations</p> <p>In the MPLA Commissioner's response, OPA was also informed that the former Tinian Board Member is currently behind</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

on his payments, and that MPLA has notified him that it intends to enter an application to the Superior Court for an Entry of Judgement to aide MPLA in collecting the full amount, plus interest, by the former Board Member to MPLA.

*Further Action Needed*

MPLA should continue to provide OPA with the status of collections. MPLA should provide OPA with a copy of the finalized promissory note executed with the former Rota Board Member, an update on the possible legal proceeding to be taken against the former Chairman of the Board and an update on the application for Entry of Judgement to be taken against the former Tinian Board Member.

**2. Report No. AR-96-05 issued March 21, 1996  
Division of Public Lands  
(Currently Marianas Public Lands Authority)  
Audit of the Saipan Fishing Center and the Lease of the Garapan Fishing Base**

- Date(s) of followup letter(s) sent : 12/4/96, 11/20/97, 3/3/98 (AGO), 9/17/98, 11/23/99, 1/26/99, 1/5/00 (AGO), 7/12/00 (AGO), 1/17/01 (AGO), 8/21/01 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO)
- Date(s) of response letter(s) received : 4/4/97(AGO), 9/11/97, 3/10/98, 4/20/98 (AGO), 1/20/00 (AGO), 11/7/00 (meeting with Coordinating Group on AGO), 3/9/01 (AGO), 2/12/02 (meeting with AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
----------------	---------------	--------	--

- |   |     |                        |  |
|---|-----|------------------------|--|
| 1. <i>Original:</i> - The Secretary of DLNR should terminate Corporation A's lease of the Garapan Fishing Base and instruct the DPL Legal Counsel to: (a) initiate legal proceedings to collect rentals due from Corporation A and Restaurant A, (b) recover from the former President of Corporation B all | AGO | Resolved<br>Delinquent | On March 10, 1998, the Attorney General's Office provided OPA documents showing collection of the \$338,910.63 representing rentals due from Corporation A. However, the Attorney General's Office is still considering whether to bring action against Restaurant A and against the former President of Corporation B. In view of this, |
|---|-----|------------------------|--|

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>payments collected from Corporation C for the unauthorized subleasing of the Saipan Fishing Center building, as well as any rentals collected from the operators of Restaurant B, and (c) notify Restaurant A to pay rentals directly to DPL on a month-to-month basis.</p> <p><i>As Revised and Redirected to the Attorney General's Office:</i> The Attorney General's Office should: (a) initiate legal proceedings to collect rentals due from Corporation A and Restaurant A, (b) recover from the former President of Corporation B all payments collected from Corporation C for the unauthorized subleasing of the Saipan Fishing Center building, as well as any rentals collected from the operators of Restaurant B, and (c) notify Restaurant A to pay rentals directly to DPL on a month-to-month basis.</p>			<p>OPA closed only the portion of the recommendation pertaining to Corporation A.</p> <p>In his 3/9/01 response, the Acting Attorney General stated that liability in this case is clear, as the purchasing corporation signed a "promise to pay" reasonable value for use of public lands. Prospects for recovery need to be fully explored to determine if the case truly has merit.</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring specific actions to be taken by AGO.</p> <p><b>Further Action Needed</b></p> <p>To consider the recommendation closed, the Attorney General's Office should provide OPA the results of their review and actions to be taken to address this recommendation.</p>

**3. Report No. AR-00-04 issued November 22, 2000  
Division of Public Lands  
(Currently Marianas Public Lands Authority)  
Audit of Collection of Rentals on Land Leases with Quarries  
For Six Lease Years from 1990 to 1995**

Date(s) of followup letter(s) sent : 1/22/01, 8/27/01, 8/12/02, 2/14/03

Date(s) of response letter(s) received : 9/15/00, 11/9/00, 11/21/00, 2/8/01, 2/22/01 (request for extension until 3/9/01), 3/5/01, 9/27/01 (only acknowledgment of follow-up letter), 12/18/01, 1/4/02, 1/29/02, 3/1/02, 6/3/02, 8/8/02, 8/19/02, 9/9/02, 9/24/02, 12/18/02, 4/4/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. The Board of Public Lands (BPL) should require the DPL Director to take steps to collect the \$4.69 million</p>	<p>BPL (currently Board of</p>	<p>Resolved Active</p>	<p>After billings were sent to collect the \$4,690,707.81 in underpayment of rentals, quarry operator H paid \$789.87 as full</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>in underpayment of rentals (including interest) on land leases with 8 quarries, and refer those lessees who refuse to pay to the Attorney General's office for legal action.</p>	<p>Marianas Public Lands Authority)</p>		<p>payment. However, the amount of \$946,967.58 owed by quarry operator B was written off due to its bankruptcy. Therefore, of the 8 quarry operators, DPL will pursue collection of lease rentals and interest from the remaining six quarry operators, for a total of \$3,742,950.36.</p> <p>The status of collections for the remaining six quarry operators as provided by MPLA is as follows:</p> <ul style="list-style-type: none"> <li>a. Quarry Operator A - A promissory note has been drafted for the settlement of unpaid rentals. The promissory note is currently under review by the the MPLA Legal Counsel. On 12/18/02, MPLA provided OPA with a copy of the payment receipt evidencing partial payment made by Quarry Operator A on 10/30/02 amounting to \$300.</li> <li>b. Quarry Operator C proposed to make monthly installment payments of \$500 in settlement of its outstanding arrears. A promissory note has been drafted and is currently under review by the MPLA Legal Counsel. The permittee, however, has requested MPLA to waive the interest assessed to assist it in updating its past due accounts. Quarry Operator C's request to waive interests assessed will be presented to the MPLA Board at its regular meeting on 8/23/02 for proper disposition. On 3/7/02, MPLA offset its \$5,350 contract obligations due to Quarry Operator C as partial settlement towards its outstanding obligations. Quarry Operator C also initiated its monthly payment of \$500 on 8/6/02 per receipt no. 2002-01345. On 9/24/02, MPLA provided OPA with a copy of the payment receipt evidencing another partial payment of \$500 made by Quarry Operator C on 9/3/02. On 12/18/02, MPLA provided OPA a copy</li> </ul>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			of the payment receipt evidencing payment made by Operator C on 10/4/02 for \$500.
			Total payments made by Quarry Operator C, including the amount offset against contract obligations with MPLA as settlement towards its outstanding obligations, amounted to \$6,850.
		c. Quarry Operator D proposed to make monthly installment payments of \$5,000 beginning November 2001. A promissory note has been drafted and is currently under review by the MPLA Legal Counsel. Last payment received from Quarry Operator D was on 3/28/02 for \$5,000 per receipt no. 2002-00733. On 9/24/02, MPLA provided OPA with a copy of the payment receipt evidencing partial payment of \$5,000 made by Quarry Operator D on 8/21/02.	[Prior payments made on 11/28/01, 1/02/02, 1/31/02, 2/28/02, 8/6/02 totaling \$20,000].
			Total payments made by Quarry Operator D amounted to \$30,000.
		d. Quarry Operator E - On 4/4/03, MPLA provided OPA a copy of the Promissory Note executed between Quarry Operator E and MPLA. Quarry Operator E promises to pay MPLA the total sum of \$250,000 in which \$10,000 is due immediately upon the execution of the Promissory Note and subsequent payments of \$2,000 per month for the first three consecutive years due on the first day of each month thereafter. OPA was also provided a copy of the payment receipts evidencing payment made by Quarry Operator E for the initial payment of \$10,000 on 3/17/03 and subsequent payment of \$2,000 on 4/2/03.	
		e. Quarry Operator F - On 4/4/03, MPLA provided OPA a copy of the Promissory	

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>Note signed by Quarry Operator F on 11/29/02. Quarry Operator F promises to pay MPLA the sum of \$11,660 which represents outstanding royalties from 3/1/90 - 7/12/91. The outstanding balance shall be paid in monthly installments of \$500 and the first installment shall be due immediately upon receipt of the promissory note and subsequent payments due on the first day of each month thereafter until paid in full. OPA was also provided a copy of three payment receipts evidencing payments made by Quarry Operator F on 11/29/02, 1/17/03, and 2/28/03 totaling \$1,500.</p>
			<p>f. Quarry Operator G - On 3/13/01, MPLA provided Quarry Operator G a reconciliation of the outstanding unpaid account and clarifications on the disputed charges. Quarry Operator G provided its own reconciliation to MPLA on 3/18/02 and proposed a settlement of \$24,044.27 which includes interest through 3/31/02. On 8/8/02, MPLA issued its response and finalized its reconciliation with Quarry Operator G. On 4/4/03, MPLA provided OPA a copy of the payment receipt evidencing payment made by Quarry Operator G on 2/28/03 for \$27,115.68 which represents payment for royalty pending reconciliation of their account.</p>
			<p>[Prior payments made on 9/5/00 for \$30,072.91].</p>
			<p>Total payments made by Quarry Operator G amounted to \$57,188.59.</p>
			<p><b>Further Action Needed</b></p>
			<p>Provide OPA with an updated reconciliation of the remaining balance for the six quarry</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. The Board of Public Lands should require the DPL Director to review the effect of the additional revenues identified in this audit on each affected year's operation in order to determine if there will be surplus funds due to the Marianas Public Land Trust (MPLT).	BPL (currently Board of Marianas Public Lands Authority)	Open Delinquent	operators for the underpayment of rentals in the amount of \$4,690,707.81 for lease years 1990 to 1995, the period of the audit.  The response expressed concurrence with the recommendation and stated that DPL is currently reviewing the effect of the foregoing unrealized revenues for each affected year's operation to determine whether there are surplus funds due to MPLT.  In a 1/4/02 response from MPLA, the Commissioner (formerly Executive Director) stated that they will be providing OPA updates on the "open" recommendations as they materialize.  In her response letter dated 8/19/02, the Commissioner stated that MPLA has yet to finalize assessment of the additional revenues pending requests and negotiations with lessees/permittees which require thorough review.  The response submitted by the Commissioner of MPLA dated 3/10/03 did not address this recommendation.  <b>Further Action Needed</b>  Provide OPA copies of the results of the review and supporting documents.
5. The Board of Public Lands should require the DPL Director to send letters to lessees who misinterpreted certain provisions of the lease agreements/permits and incorrectly computed required rentals, clarifying for them the proper interpretation of material subject to royalty or gross receipts rent, and the common errors noted such as not implementing rate increases on the anniversary dates of lease agreements.	BPL (currently Board of Marianas Public Lands Authority)	Resolved Delinquent	The response expressed concurrence with the recommendation and stated that DPL will ask respective lessees to clarify the proper interpretation of certain rental provisions of the lease agreement/permits on material subject to royalty or gross receipts rent, as well as other errors committed in the computations of rentals.  OPA was provided with a 9/15/00 letter sent by DPL to quarry operator E evidencing communication as to the audit finding on its quarry operations. Another quarry operator, quarry operator H, fully paid its amount due to DPL, so there is no need to send it a

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>letter. We consider the part of the recommendation pertaining to quarry operators E and H closed.</p> <p>On 12/18/01, OPA was provided with a 3/13/01 letter sent by MPLA to quarry operator G clarifying the proper interpretation of material subject to royalty or gross receipts rent, and the common errors noted such as not implementing rate increases on the anniversary dates of lease agreements. Based on the response provided, we consider the part of the recommendation pertaining to quarry operator G closed.</p> <p>In her response letter dated 8/19/02, the Commissioner informed OPA that MPLA has not yet sent a letter to Quarry Operator F pending an investigation of the permittee's land exchange claim.</p> <p>The response submitted by the Commissioner of MPLA dated 3/10/03 did not address this recommendation.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copies of documents evidencing communication with the remaining lessee, <i>i.e.</i> Quarry Operator F.</p>

## Northern Mariana Islands Retirement Fund

**I. Report No. AR-01-01 issued January 30, 2001  
Audit and Investigation of Health Insurance  
Payments to a Physical Therapy Clinic For Physical Therapy Services  
June 1993 to December 1999**

Date(s) of followup letter(s) sent : 8/21/01, 3/5/02, 8/9/02, 2/18/03

Date(s) of response letter(s) received : 10/4/01 (NMIRF letter of request for extension to respond until 11/3/01)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Administrator should instruct the Group Health and Life Insurance Branch (GHLIB) Manager to prepare written guidelines for the review and processing of claims. The guidelines should include specific documentation requirements to justify claims for patients who have been undergoing extended medical treatments.	NMIRF	Resolved Delinquent	<p>The former Deputy Administrator responded that written operating procedures for processing of medical claims have been drafted to address inadequacies of existing practices.</p> <p><b>Further Actions Needed</b></p> <p>The NMIRF should include in the written operating procedures the following: (1) submission of original referral letters from a physician, (2) submission of health insurance claim forms duly signed by patients, and (3) submission of periodic treatment and evaluation reports by physicians to justify extended medical treatment.</p> <p>In addition, NMIRF should prepare a documentation checklist form to ensure that all requirements are completed before claims are processed. To close this recommendation, NMIRF should provide a copy of the final approved version of the written operating procedures to OPA.</p>
3. The Administrator should adopt measures to improve internal controls over the processing and payment of health insurance claims as follows: (a) qualification	NMIRF	Open Delinquent	The former Deputy Administrator's response did not contain any specific plan of action to address this recommendation.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
requirements for the position of claims examiner should be improved by requiring sufficient training and experience in the medical field, (b) supporting claim documents should be marked paid after completion of check processing to prevent duplicate payments, (c) for proper segregation of duties, signed checks for distribution to vendors should be mailed directly or distributed by the administrative assistant without being returned to persons who have access to accounting and payment records, and (d) written filing procedures should be prepared to control and monitor the locations of accounting records and claim documents.			<p><i>Further Action Needed</i></p> NMIRF should implement the recommendation.

**2. Report No. LT-01-04 issued August 8, 2001  
Northern Mariana Islands Retirement Fund  
Audit of Travel Outside the CNMI  
from October 1996 Through March 2000**

Date(s) of followup letter(s) sent : 3/5/02, 8/9/02, 2/18/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
The Fund Administrator should take the following steps:			
2. Consistently enforce sanctions or others remedies for travel violations. Travelers with unliquidated advances should be denied additional travel advances; payroll deductions should be immediately implemented for travelers who fail to submit the required travel documents on time;	NMIRF	Resolved Delinquent	NMIRF agreed with the recommendation and stated that erroneous and unnecessary travel reimbursements must be collected. The BOT will work with the Administrator towards identifying the travel violations and collecting from the travelers who owe the Fund.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
and board members, especially those who are not government employees, should be required to immediately repay outstanding travel advances.			<p><i>Further Actions Needed</i></p> <p>NMIRF is requested to provide the expected date when the scheduled overpayments will be collected.</p>
<p>3. Disallow the practice of using corporate credit cards for payment of hotel and car rentals. Corporate credit cards should be used to guarantee hotel and car reservations only, when and if required by vendors. In addition, a strict credit card policy should be adopted to limit the use of corporate credit cards.</p>	NMIRF	Resolved Delinquent	<p>NMIRF agreed with the recommendations. It stated that the use of the credit cards by members of the BOT and the staff should be banned, except for one to be held by the Administrator for use in making hotel and car reservations.</p> <p><i>Further Actions Needed</i></p> <p>NMIRF should provide OPA a copy of the written policies and procedures restricting the use of the corporate credit card.</p>

**3. Report No. LT-01-05 issued August 15, 2001  
Audit of Billings for a Professional Services Contract  
During the Period October 1, 1996 Through February 29, 2000**

Date(s) of followup letter(s) sent : 1/7/02, 3/5/02, 8/9/02, 9/6/02, 2/18/03

Date(s) of response letter(s) received : 3/13/02

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>The Fund Administrator should instruct the Accounting Manager to:</p>			
<p>1. Formally notify the contractor of the overpayment disclosed by our audit, and make arrangements to recover the overpayment.</p>	NMIRF	Resolved Delinquent	<p>NMIRF officials advised OPA that NMIRF had paid the contractor \$9,697.45 on July 17, 2001 for what it considered its final payment, after making adjustments for billing errors that OPA had identified during the audit. On January 7, 2002, however, OPA determined that the contractor was still overpaid by NMIRF in the amount of \$2,268.24 which consists of (1) double</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			billing of \$991.65; (2) overstatements of \$893.22; and (3) error charges of \$383.37. OPA advised NMIRF to collect the overpayment from the contractor unless documents can be provided to explain the reasons for the overpayment enumerated.

# Public School System

**I. Report No. AR-97-03 issued March 10, 1997  
Travel of Former Recreational Therapist/Adaptive Physical Education Specialist**

Date(s) of followup letter(s) sent : 7/16/97, 2/02/98, 9/21/98, 11/26/99, 7/11/00, 1/15/01, 8/20/01, 3/11/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Commissioner of Education should amend the PSSRR to include prohibiting the payment of commuting costs unless the payment is justified by the parties concerned and approved by the Board of Education.	PSS	Open Delinquent	Provide OPA a copy of the amendment to the PSSRR.
2. The Commissioner of Education should inform and direct the Coordinator of the Special Education Programs and any other PSS personnel responsible for employee activities to implement personnel policies in conformance with the FLSA and US Department of Labor regulations.	PSS	Open Delinquent	Provide OPA a copy of the directive from the Commissioner to the Coordinator and any other PSS personnel responsible for employee activities to implement personnel policies in conformance with the FLSA and US Department of Labor regulations.

**2. Report No. LT-98-14 issued December 23, 1998  
Follow-up Audit of Marianas High School Student Funds  
August 1991 to September 1992**

Date(s) of followup letter(s) sent : 11/26/99, 7/11/00, 1/15/01, 8/20/01, 3/11/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
4. The Commissioner should define what constitutes educational purpose or educational activity and include such definition in its policy manual.	PSS	Open Delinquent	The Commissioner should furnish OPA a copy of PSS' amended policy manual where educational purpose and educational activity are clearly defined.

**3. Report No. AR-99-01 issued January 5, 1999  
Audit of the William S. Reyes School and  
50<sup>th</sup> Golden Jubilee Funds  
October 1994 to October 1996**

Date(s) of followup letter(s) sent : 11/26/99, 7/11/00, 1/15/01, 8/20/01, 3/11/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Commissioner should require the former principal and/or WSR school fund treasurer in SY 1994 to 1995 to reimburse the fund the amount of \$10,959.65 for which they are accountable. If the former custodians refuse to pay back the funds, the matter should be referred to the AGO to enforce collection.	PSS	Resolved Delinquent	<p>The Commissioner in her letter to OPA stated that the PSS Legal Counsel would take immediate action to recover the funds.</p> <p><b>Further Action Needed</b></p> <p>The Commissioner should provide OPA a copy of the collection letters and the responses from the former custodians. Once the amount is collected, a copy of the official receipt evidencing the collection should be provided to OPA.</p>
4. The 50 <sup>th</sup> Golden Jubilee executive committee should collect the	WSR 50 <sup>th</sup> Golden	Open Delinquent	The President should provide copies of the (1) official receipts representing collections

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
outstanding receivables of \$1,163, representing t-shirts and 50 <sup>th</sup> Golden Jubilee souvenir items sold on account, and should pay the suppliers of these items the amounts the committee still owes.	Jubilee Executive Committee		from the outstanding receivables, and (2) checks representing payment to the suppliers of the t-shirts and WSR souvenir items.

**4. Report No. LT-00-07 issued August 30, 2000  
Public School System  
Audit of Property and Equipment of Hopwood Junior High School  
February to June 1999**

Date(s) of followup letter(s) sent : 1/15/01, 8/20/01, 3/11/02, 8/12/02, 2/18/03

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01)

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
1. The Commissioner of Education should enforce compliance with the CNMI property management and accountability policy without exception. The Commissioner should ensure that a physical inventory of the fixed assets of PSS is taken annually, and inventories should be reconciled against recorded balances.	PSS	Resolved Delinquent	PSS will comply with the recommendation. It will maintain subsidiary ledgers for all schools (public and private), and a master list will be kept by the Procurement Office. PSS will also reconcile the inventory taken with the master list and any discrepancy will be reported to the school principals and program managers. Additionally, PSS has conducted an annual inventory for FY 2000 for all schools.  <i>Further Action Needed</i>  PSS should provide OPA a copy of the reconciliation of the inventory with the master list.
2. The Commissioner of Education should direct the PSS Procurement Officer to develop additional policies and procedures suitable to the needs and requirements of PSS operations. These policies and procedures should include, among	PSS	Open Delinquent	No action has been taken to address the recommendation. PSS should consider and implement the recommendation.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>other things, a system of accountability in which the Principal or Program Head is made responsible for all property issued to the facility. In addition, the system of tagging and marking items needs to be improved in order to insure that all property is identified and accounted for.</p>			
<p>3. The Commissioner of Education should direct the PSS Maintenance Office to install additional security (e.g., deadbolt locks and security cameras or other security measures as needed and practical) at all PSS schools.</p>	PSS	Open Delinquent	No action has been taken to address the recommendation. PSS should consider and implement the recommendation.

**5. Report No. AR-00-05 issued December 14, 2000  
Public School System  
Audit of the Marianas High School Food Court  
Covering School Year 1998-1999**

Date(s) of followup letter(s) sent : 1/15/01 (PSS), 1/19/01 (DOF), 8/20/01 (PSS), 3/11/02 (PSS), 8/12/02 (PSS), 2/18/03 (PSS)

Date(s) of response letter(s) received : 2/16/01 (PSS request for extension until 3/5/01), 2/16/01(DOF), 5/24/02 (PSS)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. <i>Original:</i> The Secretary of Finance recover from PSS the \$369,866 that was paid from the Trust Fund for the operation of the MHS Food Court. Repayment can be made by offsetting this unlawful payment against future fund allocations for PSS. Any repayment from PSS should be restored to the Trust Fund for possible re-appropriation.</p>	DOF - Redirected to PSS	Resolved Delinquent	In her 2/16/01 response, the Secretary of Finance asked that this recommendation be redirected to PSS because the funds in question were already transferred to PSS by DOF when the alleged inappropriate expenditure occurred. It is the opinion of DOF that since the funds were properly received, PSS should just reserve the funds for their proper purpose rather than DOF withholding current appropriations only to retransfer the funds at a later date.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p><i>As Redirected to PSS:</i> The PSS Commissioner should take steps to reserve the funds on their books for the Trust Fund and ensure their use for the proper purpose.</p>		Open Delinquent	<p><b>Further Action Needed</b></p> <p>The PSS Commissioner should provide documentation that the \$369,866 has been reserved on its books.</p>
<p>4. The Commissioner of Education issue a memorandum instructing the MHS Principal to stop using the proceeds from the sale of reduced-price meals to pay for non-Food Court expenses. These collections should be used only to pay obligations of the Food Court.</p>	PSS	Open Delinquent	<p>The Commissioner stated that profits from the MHS Food Court were used in accordance with BOE policy and that funds have not been used for fundraising until payment to vendors had been made.</p> <p>Profits from the MHS Food Court were not used in accordance with BOE policy. Since the Trust Fund should not have been used for the MHS Food Court, only those proceeds from the sale of reduced-price meals appear to be a legitimate source of funds for the MHS Food Court. Since the amount collected from paying students is not enough to cover the actual cost of the meals, all collections from the students should have been dedicated solely to the payment of Food Court obligations (instead of using these collections for non-Food Court expenses).</p> <p><b>Further Action Needed</b></p> <p>The Commissioner of Education should reconsider her position on this matter. Accordingly, the Commissioner should issue a memorandum instructing the MHS Principal to stop using the proceeds from the sale of reduced-price meals to pay for non-Food Court expenses. These collections should be used to pay obligations of the Food Court.</p>



# Tinian Casino Gaming Control Commission

**I. Report No. AR-99-03 issued April 7, 1999  
Audit of Consultant's Contract  
Fiscal Year 1997**

Date(s) of followup letter(s) sent : 1/5/00 (AGO), 7/12/00 (AGO), 1/17/01 (AGO), 8/21/01 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO)

Date(s) of response letter(s) received : 4/9/99 (TMO), 1/20/00 (AGO), 11/7/00 (meeting with Coordinating Group on AGO), 3/9/01 (AGO), 12/31/01, 2/12/02 (meeting with AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>As Redirected to AGO</i> - Institute legal action to declare the Consulting Service Agreement between TCGCC and the consultant null and void, and to recover all amounts paid by TCGCC to the consultant and the consultant's son.</p> <p><i>Original</i> - The Mayor of Tinian and Aguiguan should request the Attorney General to institute an action to declare the Consulting Service Agreement between TCGCC and the consultant null and void, and to recover all amounts paid by TCGCC to the consultant and the consultant's son.</p>	AGO	Resolved Delinquent	<p>In his 3/9/01 response, the Acting Attorney General informed OPA that there is an ongoing investigation related to the facts and circumstances of this matter.</p> <p>On December 31, 2001, civil action was filed against the consultant to recover overpayment of \$543,375 on grounds of unjust enrichment, conversion, fraud and breach of fiduciary duty. Civil action was also filed against three other individuals to recover \$195,971 for breach of fiduciary trust. Recoverable amounts totaled \$739,346.</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring specific actions to be taken by AGO.</p> <p><b>Further Action Needed</b></p> <p>AGO should provide OPA an update on the status of the ongoing investigation.</p>

**2. Report No. AR-02-02 issued September II, 2002  
Tinian Casino Gaming Control Commission  
Audit of Travel Transactions  
Fiscal Years 1996 - 2001**

Date(s) of followup letter(s) sent : 2/14/03  
Date(s) of response letter(s) received : 2/21/03, 3/10/03, 3/13/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. Recover advances totaling \$406,925 (Appendix A) from the commissioners, officials, and employees unless convincing evidence is submitted showing otherwise. If the commissioners, officials, and employees refuse to repay the funds, the Chairman should request the Attorney General's Office to take legal action against the commissioners, officials, and employees to recover the amount of advances outstanding</p>	TCGCC	Open Active	<p>The table on page 4 of the report presents five types of exceptions noted and the potentially recoverable amount. The following information or actions are required for each exception in order to consider the recommendation closed:</p> <ol style="list-style-type: none"> <li>1. No travel voucher submitted - \$107,414 - the Tinian Casino Gaming Control Commission (TCGCC) should present travel vouchers and documents to support claimed expenses. Otherwise, it should collect the advances and present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</li> <li>2. Insufficient supporting documentation - \$247,278- TCGCC should present valid documents to support claimed expenses. Otherwise, it should collect the advances and present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</li> </ol> <p>After the exit briefing conducted on August 14, 2002, certain travelers provided copies of documents evidencing that official trips were performed. Although these documents had not been timely submitted, most of them adequately documented claimed expenses and would reduce exception no. 2 by \$14,672.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. Revise TCGCC policies to prevent questionable travel.	TCGCC	Closed	<p>3. Unallowable discretionary fund expenses - \$15,829 - TCGCC should present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</p> <p>Two travelers concurred that they should pay TCGCC for personal expenses cited by OPA.</p> <p>4. Improper CNMI advances - \$26,808- TCGCC should present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</p> <p>5. Excessive Per diem - \$9,596- TCGCC should present proof of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</p> <p>On August 16 2002, a traveler provided OPA a copy of official receipt for payment of \$75 excess per diem.</p> <p><b>Further Actions Needed</b></p> <p>TCGCC should meet the requirements for each of the five types of exceptions above until the entire amount for each is collected or otherwise satisfactorily explained and justified.</p> <p>On 2/21/03, OPA was provided a copy of the TCGCC's revised Travel Policies and Procedures which were formally adopted by the Commission on 10/17/02. The revised Travel Policies and Procedures was sufficient to consider this recommendation closed.</p>
3. Establish a subsidiary ledger to account for advances, and use it to recover and monitor travel advances.	TCGCC	Resolved Active	<p>In her response dated 3/10/03, the TCGCC Executive Director stated that the Commission is currently working on the subsidiary ledger of travel advances and will forward OPA a copy of the ledger</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			once it is finalized. The establishment of the subsidiary ledger to account for advances was also addressed in the revised and adopted TCGCC Travel Policies and Procedures which was provided to OPA on 2/21/03.
			<b>Further Action Needed</b>
			TCGCC should provide OPA a sample of the subsidiary ledger together with the name or position of the staff member responsible for maintaining the subsidiary ledger.
4. Commission members designate one individual to review and approve travel vouchers	TCGCC	Closed	On 2/21/03, OPA was provided a copy of the TCGCC's revised Travel Policies and Procedures which were formally adopted by the Commission on 10/17/02. Section 19-1 of the revised Travel Policies and Procedures states that the Chairman is responsible for review and approval of Travel Vouchers prior to any payment or reimbursement being made, which was sufficient to consider this recommendation closed.
5. Only the Chairman should approve advances as specified in the TCGCC travel policy.	TCGCC	Closed	On 3/10/03, OPA was provided a copy of the memorandum addressed to the Tinian Municipal Treasurer advising the Treasurer to comply with the revised TCGCC Travel Policies and Procedures which was adopted on 10/17/02. The document provided sufficiently addressed this recommendation.

This page was intentionally left blank.



# Washington Representative's Office

# Washington Representative's Office

**I. Report No. AR-99-02 issued March 29, 1999  
 Verification of Expenses and Review of  
 Selected Administrative Practices of the  
 Washington Representative's Office  
 Fiscal Years 1995 and 1996**

Date(s) of followup letter(s) sent : 11/29/99, 7/11/00, 1/24/01, 8/22/01, 3/4/02, 8/9/02, 2/18/03 (DOF)

Date(s) of response letter(s) received : 10/6/99, 9/25/01, 3/20/02, 8/12/02, 8/21/02, 3/17/03 (DOF request for extension)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>15. <i>Original:</i> The Washington Representative should continue his efforts to collect the outstanding loans until such time as he is assured that any further collection efforts would be futile. At that time, the loan documentation should be turned over to the Department of Finance in Saipan for further action. If the obligations are collected, the amount should be returned to the CNMI General Fund.</p> <p><i>As Revised and Redirected to DOF:</i> DOF should determine the current status of the loan receivable from the former Resident Representative.</p>	<p>WRO - Redirected to DOF</p>	<p>Resolved Active</p>	<p>In the 9/25/01 response from WRO, it was stated that the \$1,080 loan was fully paid. OPA was provided copies of the official cash receipt and a check for \$50.25 evidencing final payment representing the balance on the employee loan of \$1,080. This portion of the recommendation pertaining to the \$1,080 employee loan is considered closed.</p> <p>For the \$2,500 loan, the former Resident Representative has entered into an agreement with DOF to make monthly payments in the amount of \$100. The Resident Representative has made three payments totaling \$300 leaving a balance still collectible of \$2,200. OPA was provided copies of the official receipts and checks evidencing payments made of \$300 and a copy of the promissory note for the \$2,500 loan.</p> <p>In his 3/20/02 response, the current Resident Representative sought the advice of OPA on how to go about collecting the loan made by the former Resident Representative.</p> <p>In his 8/12/02 response, the Resident Representative suggested that OPA redirect the recommendation to DOF as his office is not involved in the repayment of the loan. On 8/28/02, OPA issued a letter to</p>

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
			the Secretary of Finance requesting the current status of the loan receivable.
			<i>Further Action Needed</i>
			DOF should inform OPA of the current status of the loan receivable from the former Resident Representative.



This page was intentionally left blank.

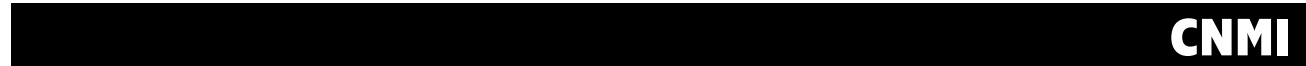
# Independent Auditor's Report on Internal Control and Compliance

---

CNMI  
Commonwealth Development Authority  
Commonwealth Government Employees' Credit Union  
Commonwealth Ports Authority  
Commonwealth Utilities Corporation  
Northern Marianas College  
Northern Mariana Islands - Group Health and Life Insurance Trust Fund  
Northern Mariana Islands Retirement Fund  
Office of Public Land  
Public School System  
Northern Mariana Islands - Workers' Compensation Commission

This section of the report presents recommendations from Single Audit reports and other types of audit reports issued by private Certified Public Accountant (CPA) firms. The Office of the Public Auditor is not responsible for tracking the implementation of these recommendations, however, they are included in our audit tracking report for information purposes. Because OPA is responsible for overseeing all audits of the CNMI government, follow-up procedures are also conducted for these recommendations to determine what actions have been taken by the individual agencies to implement the recommendations issued by private CPA firms. A copy of the agencies' responses is subsequently provided to the Independent Auditor who conducted the audit to determine whether the agencies' responses are sufficient to consider the recommendations resolved.

Based on the classification followed by private CPA firms, a recommendation is described as either *resolved* or *unresolved*.



**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 2000  
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent : 3/5/02 (DPW), 3/8/02 (DPH), 3/12/02 (DOF), 8/9/02 (DPH) (DPW), 8/12/02 (MPLA) (DOF), 9/30/02 (Independent Auditor re: MPLA/DPW Response), 2/12/03 (DPW) (DPH), 2/18/03 (DOF)

Date(s) of response letter(s) received : 3/27/02 (DOF request for extension), 8/30/02 (DPW verbal request for extension), 9/17/02 (DPW), 9/24/02 (MPLA), 2/26/03 (DPW), 3/10/03 (MPLA)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>External Financial Reporting</i>			
1. The CNMI should conform to GASB Statement No. 14 by obtaining audited financial statements of the Commonwealth Government Employees Credit Union (CGECU), the Commonwealth Utilities Corporation (CUC), the Northern Marianas College (NMC), and the Public School System (PSS) for inclusion within the general purpose financial statements.	DOF	Unresolved (Outstanding since FY1998 Single Audit)	Component unit of the CNMI are required to have audits performed on an annual basis. OPA has been working with the autonomous agencies noted to bring their annual audits current.  Proposed Completion Date: FY2001
<i>Cash and Cash Equivalents</i>			
2. DOF should reconcile all bank accounts to the general ledger on a monthly basis, and the resulting adjustments should be recorded in a timely manner.	DOF - Finance and Accounting Division	Unresolved (Outstanding since FY1986 Single Audit)	The Rebate Trust account was established in FY2000 to facilitate payment of income tax rebates. We have encountered problems in transferring check clearing information from the computer tape received from the bank to our automated FMS system. We are working on this problem and hope to resolve it in FY2001. Since there are more than 30,000 checks issued each year on this account, a detailed manual reconciliation is impractical. We performed an analysis of this account and the book/bank difference is the result of a large number of checks issued in late September 2000 not having cleared

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
----------------	---------------	---------------------------	--

the bank as of September 30, 2000.

Proposed Completion Date: FY2001

**Receivables**

<p>3. DOF should review all outstanding receivables from federal agencies for propriety and collectibility. All valid receivables should be submitted to the various federal grantor agencies for collection of the amounts owed to the CNMI. All other balances should be written off to the General Fund.</p>	<p>DOF - Finance and Accounting Division</p>	<p>Unresolved (Outstanding since FY1997 Single Audit)</p>	<p>We will review grant receivable balances on our books and adjust balances that are not valid. The Federal grant receivable balance was reduced by \$3.5 million from the previous year end. Our analysis indicates that the old grant receivables are mainly the result of grant receipts not being posted to the proper grant year resulting in one year's grant receivable being overstated and the next year understated. We feel the total net adjustment to receivables will be minimal.</p>
---	--	---	--

Proposed Completion Date: FY2001

<p>4. CHC should implement procedures to ensure that all billings are processed on a timely basis, and that standard procedures are implemented to follow-up on aged accounts. Accounts determined to be uncollectible should be written off.</p>	<p>DPH - CHC</p>	<p>Unresolved (Outstanding since FY1995 Single Audit)</p>	<p>DPH agreed with the findings, but has made major progress in the past years in correcting the problems. Implementing policies and procedures, as recommended by the auditors, will help but will not resolve the backlog in the processing of bills or decrease the huge outstanding receivable. The cause of the cause of the problem is a combination of inefficiency of the present computer billing system, inadequate FTEs in the Billing and Collection office, and non-payment of bills by the Government Health Insurance (GHI) program. GHI represents fifty percent of the outstanding receivable. Improving the computer billing system and resolving the huge outstanding balance with GHI is included as a major task in the CNMI wide Financial Management Improvement Plan. A new faster, larger capacity computer system is in the process of being installed and data migration/conversion is planned to be completed by 12/31/01. Once hardware upgrade is complete, CHC will proceed with software upgrades for accounts receivable, third party billing, laboratory and pharmacy.</p>
---	------------------	---	--

No completion date can be projected at this time.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
5. The Division of Public Lands (DPL) should review receivable balances and forward overdue accounts to the Attorney General's office for collection. Monthly billings should be prepared on a regular basis to ensure recognition of revenue and receivables on a timely basis.	DPL (currently Marianas Public Lands Authority)	Unresolved (Outstanding since FY1998 Single Audit)	OPL sends monthly statements of account to all of its public land lessees and permittees. A first and then a final notice are sent to lessees and permittees with delinquent accounts to bring their accounts current. Failure or refusal to cure delinquencies is subject to termination of leases and permits. All unpaid accounts are forwarded to the Office of the Attorney General for collection actions. Furthermore, analysis of each lease and permit rental provisions are done to ensure accurate applications are entered into each lease and permit account.  Proposed Completion Date: Continuous
<b>Inventory</b>			
6. CHC should establish policies and procedures to ensure timely reconciliation of the physical inventory count to the general ledger inventory balances.	DPH - CHC	Unresolved (Outstanding since FY1994 Single Audit)	DPH will furnish DOF with a copy of the FY2001 actual inventory along with a covering memo requesting DOF to book the ending balances.  Proposed Completion Date: FY2001
<b>Advances</b>			
7. DOF should review all advances outstanding for more than one year, evaluate their collectibility, and write off any amounts deemed uncollectible. Policies and procedures requiring the timely liquidation of all travel advances should be implemented and enforced.	DOF - Finance and Accounting Division	Unresolved (Outstanding since FY1987 Single Audit)	We have implemented automated sub ledgers by traveler for our travel advance accounts. This was completed in FY1999. Advance and voucher filing procedures are now being enforced so that new advances are not issued if there are pending outstanding advances and payroll deductions are now made if vouchers are not filed in a timely manner. We are reviewing and clearing old balances. Outstanding advances were reduced by \$500,000 during FY1999 and another \$200,000 in FY2000. Preliminary FY2001 results show a further drop of \$600,000 in outstanding travel balances. Approximately 50% of the total balance outstanding is reserved against fund balance on the balance sheet.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
----------------	---------------	---------------------------	---

The DPL advances outstanding relate to Visa charges by former board members. Three former board members are making monthly payments per promissory notes signed with the AGO. The AGO is initiating legal actions regarding the other balances.

Proposed Completion Date: Already 80% implemented. Remaining adjustments to be completed in FY2001.

**Property and Equipment**

<p>8. The CNMI should perform an inventory of its fixed assets as a basis for recording all assets in the General Fixed Assets Account Group.</p>	<p>DOF - Finance and Accounting Division</p>	<p>Unresolved (Outstanding since FY1987 Single Audit)</p>	<p>Implementation of the new Fixed Asset module began during FY1998 and is continuing. New assets added since that time are being recorded in the system. Existing assets must be inventoried and manually entered into the system. We have been awarded a grant through U.S. Department of the Interior to assist in the implementation and currently are working with a consultant to develop capitalization policies and fully implement the Fixed Asset module. The General Fixed Assets Account Group was adjusted during FY2000 to remove the FY1991 completed construction projects as infrastructure is not required to be booked as yet, the records were incomplete and most of the projects booked belonged to proprietary component units. Inventories of each department are to be completed during 2001 and results entered into the Fixed Asset module during 2002.</p>
---	--	---	--

Proposed Completion Date: FY2002.

**Other Liabilities and Accruals**

<p>9. DOF should establish policies and procedures to ensure adequate recording of liabilities for goods received by the CNMI's Division of Procurement and Supply.</p>	<p>DOF - P&amp;S</p>	<p>Unresolved (Outstanding since FY1999 Single Audit)</p>	<p>We are reviewing FMS procurement receiving procedures to determine if modifications need to be made to handle receipt of prepaid items. It appears that the debit advance amount may not always be closed for prepaid items, leaving an</p>
---	----------------------	---	--

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			offsetting credit open in the received not vouchered account. DOF is reviewing and adjusting balances where needed. Reconciliation procedures will be developed to reconcile received not vouchered balances on a monthly basis.
			Proposed Completion Date: FY2002
<b>Fund Balance</b>			
10. DOF should monitor and document all ongoing construction projects and a report should be prepared for the Secretary of Finance on a quarterly basis.	DOF	Unresolved (Outstanding since FY1997 Single Audit)	The FY1997 conversion of remaining appropriation balances for local CIP was incorrectly done. We have completed researching the correct remaining balances, and has included these balances in the quarterly reporting for FY2000.
			Proposed Completion Date: FY2001
<b>CNMI Local Noncompliance</b>			
11. DOF should ensure that sufficient documentation is obtained and periodically updated to demonstrate full compliance with the requirements of public laws.	DOF - Treasury	Unresolved (Outstanding since FY1996 Single Audit)	Treasury will update its agreements with the four banks. These banks are not major depository banks of the Commonwealth. Collateralization listings will be reviewed for sufficiency.
			Proposed Completion Date: FY2001
12. DPL should comply with Public Law 11-64 and remit landing fees collected to the Secretary of Finance for deposit to the special sub-account.	DPL (currently Marianas Public Lands Authority)	Unresolved	After the 1989 Agreement for Special Recreational Concession expired in September 1998, Tasi Tours held over on the premises in accordance with Section 23 of the agreement. No landing fees were transferred to the Secretary of Finance to deposit in the special sub account after advice of legal counsel was sought on the effect of the Savings Clause in Public Law No. 11-64.
			Proposed Completion Date: When legal opinion is rendered.
13. DOF should only authorize expenditures within budget allotments. Furthermore, the CNMI Legislature's budget should reflect all expenditures to be incurred in the	DOF	Unresolved	The expenditure levels shown in the finding include actual expenditures plus unliquidated encumbrances for FY2001. The auditors did not adjust for actual expenditures made against prior fiscal year



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
fiscal year that can be reasonably determined.			<p>encumbrances, as encumbrance balances were qualified in the previous year's audit. We believe that had this been done, the expenditures in excess of allotments shown in the finding would have been limited to the Department of Public Safety and Public Health and Government utilities. In the case of Departments of Public Health and Safety, if adjustments for expenditures against prior year payments were made, the expenditure level would have been within the amounts appropriated under P.L. 11-41. Government utilities have consistently been under appropriated by \$3-4 million in every appropriation act since the early 1990's leaving the Executive Branch the choice between paying the utility bills or having power and water for government offices disconnected. Since actual revenues were \$5.4 million more than estimated and the Legislature provided the Governor with 100% reprogramming authority in FY2000, a reprogramming action by the Governor could be made to cover this over expenditure based on P.L. 11-41 appropriations. However, this would result in more departments showing over expenditure of allotment levels but under the appropriation level. The problem of under appropriation for utilities is more apparent when no reprogramming is done for utilities.</p>

Proposed Completion Date: FY2001

**Davis-Bacon Act**

<p>14. The CNMI should ensure that construction projects financed by federal funds are supported by contractor payroll records indicating compliance with the CNMI minimum wage rate. [US Department of Interior/Sports Fish Restoration/CFDA #15.605/ US Department of Transportation/ Highway Planning and Construction/CFDA #20.205]</p>	<p>DPW - TSD</p>	<p>Unresolved (Outstanding since FY1997 Single Audit)</p>	<p>DPW believes this finding needs to be substantially revised or eliminated. The U.S. Department of Labor has finally determined that while Davis-Bacon and related acts are generally applicable in the CNMI, they do not apply to projects funded under Covenant Section 702 grants. The auditors were provided a copy of the letter from the U.S. Department of Interior to this effect. The U.S. Department of the Labor has never established Davis-Bacon wage</p>
---	------------------	---	--

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>15. The CNMI should implement formal documentation procedures to memorialize the monitoring procedures performed, including the results of those procedures and any corrective actions taken, to ensure compliance with the above criteria. [Highway Planning and Construction, CFDA #20.205/Sports Fish Restoration, CFDA #15.605]</p>	DPW - TSD	Unresolved (Outstanding since FY1990 Single Audit)	<p>rates for the CNMI. In the absence of this, U.S. Department of Labor enforcement is based on the CNMI minimum wage. The Governor's Wage Review Board, not TSD, is the CNMI entity responsible for developing wage rate determinations for the CNMI. A final report needs to be adopted by the wage Review Board and transmitted to the Legislature for action. Once the Legislature takes action, the construction industry wage rates approved would most likely be adopted by the U.S. Department of Labor for Davis-Bacon Act purposes.</p> <p>Proposed Completion Date: Completed or depends on Legislative action.</p>
			<p>DPW believes this finding needs to be substantially revised and combined with Finding #15 or eliminated. The U.S. Department of Labor has finally determined that while Davis-Bacon and related acts are generally applicable in the CNMI, they do not apply to projects funded under Covenant Section 702 grants. The auditors were provided a copy of the letter from the U.S. Department of Interior to this effect. The U.S. Department of the Labor has never established Davis-Bacon wage rates for the CNMI. In the absence of this, U.S. Department of Labor enforcement is based on the CNMI minimum wage. The Governor's Wage Review Board, not TSD, is the CNMI entity responsible for developing wage rate determinations for the CNMI. A final report needs to be adopted by the wage Review Board and transmitted to the Legislature for action. Once the Legislature takes action, the construction industry wage rates approved would most likely be adopted by the U.S. Department of Labor for Davis-Bacon Act purposes.</p> <p>Proposed Completion Date: Completed or dependent on Legislation.</p>

#### **Equipment and Real Property Management**

<p>16. The CNMI should perform an inventory of its fixed assets and ensure that it is in compliance with</p>	DOF - P&S	Unresolved (Outstanding since FY1987 Single	Implementation of the new Fixed Asset module began during FY1998 and is continuing. New assets added since that
--	-----------	---	---

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
applicable federal property rules and regulations. [All Federal Programs]		Audit)	time are being recorded in the system. Existing assets must be inventoried and manually entered into the system. We have been awarded a grant through U.S. Department of the Interior to assist in the implementation and currently are working with a consultant to develop capitalization policies and fully implement the Fixed Asset module. The General Fixed Assets Account Group was adjusted during FY2000 to remove the FY1991 completed construction projects as infrastructure is not required to be booked as yet, the records were incomplete and most of the projects booked belonged to proprietary component units. Inventories of each department are to be completed during 2001 and results entered into the Fixed Asset module during 2002.

Proposed Completion Date: FY2002

**Procurement, Suspension and Debarment**

17. The CNMI should ensure that contracts funded by federal grants specify compliance with all applicable federal laws. [Sports Fish Restoration/CFDA #15.605]	DPW	Unresolved	The standard contract language and the "General Conditions" for construction contracts, developed by the CNMI Attorney General's Office, are utilized as the contract provisions that include all required and applicable provisions in the Common Rule. DPW tries to file all documents pertaining to each project in an organized filing system as part of its operating procedures. The missing provisions noted are all part of the General Conditions for all contracts. These are sometimes not included with all contract copies or become separated and filed in different locations. DPW will attempt to locate the missing provisions and provide copies to the auditors.
--	-----	------------	---

Proposed Completion Date: Ongoing

**Reporting**

18. The CNMI-DOF should implement procedures to ensure that all required federal financial reports are filed in a timely manner. [Technical Assistance Grants and DOI and	DOF	Unresolved	Late submission of reports occurred because narrative program reports were not received on time from the project managers. Verbal extensions were received over the phone from the Department of Interior (DOI).
---	-----	------------	--

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Covenant Capital Projects/CFDA #15.875]			Proposed Completion Date: Ongoing
19. The CIP Status Reports should be reviewed on a regular basis to ensure that updated information is reflected before submission to the grantor. [DOI and Covenant Capital Projects/CFDA #15.875]	DOF	Unresolved	Differences occurred due to entries not correctly dated in the FMS or misposting of expenditures to the wrong account. Correcting entries will be made where needed. In most cases, the differences correct themselves on a cumulative basis.  Proposed Completion Date: FY2001
20. The CNMI-DOF should implement procedures to ensure that all federal financial reports are filed in a timely manner. [Sports Fish Restoration/CFDA #15.605]	DOF - Finance and Accounting Division	Unresolved	Late submission of reports occurred because narrative program reports were not received on time from the project managers. Verbal extensions were received over the phone from the Federal agencies.  Proposed Completion Date: FY2001
21. Medicaid should scrutinize its written agreements with service providers. If errors are subsequently discovered, efforts should be made to amend or rectify them . [Medicaid Assistance Program/CFDA #93.778]	Medicaid	Unresolved	We agree with the audit findings and will review the forms more carefully. We provided our auditors with a copy of the letter informing the provider that their agreement has been approved and the dates and time period are correct.  Proposed Completion Date: Completed.

**2. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 1999  
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent : 1/19/01 (DOF), 1/23/01 (Medicaid), 1/24/01 (DLNR), 1/30/01 (DPH), 8/22/01 (DPH), 8/23/01 (DPW), 8/20/01 (DLNR), 8/21/01 (DOF)

Date(s) of response letter(s) received : 10/31/00 (meeting with Coordinating Group on DLNR), 11/14/00 (meeting with Coordinating Group on DPH), 11/14/00 (DLNR), 12/7/00 (meeting with Coordinating Group on DOF), 12/12/00 (DPW), 1/8/01 (meeting with Coordinating Group on DPW), 2/8/01 (Medicaid), 2/22/01 (DPL), 5/30/01 (DPW), 10/1/01 (DPW), 10/22/01 (DPH)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>External Financial Reporting</i>			
1. The CNMI should conform with GASB Statement No. 14 by obtaining audited financial statements of the Commonwealth Government Employees Credit Union (CGECU), the Northern Marianas College (NMC), and the Public School System (PSS) for inclusion within the general purpose financial statements.	DOF	Unresolved (Outstanding since FY1998 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-1.
2. The Office of Management and Budget should develop a budget strategy in order to finance the deficit within the Human Resources Development Trust Fund.	DOF	Unresolved (Outstanding since FY1996 Single Audit)	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.
<i>Cash and Cash Equivalents</i>			
3. The Department of Finance should reconcile all bank accounts to the general ledger on a monthly basis and the resulting adjustments should be recorded in a timely manner.	DOF - Treasury	Unresolved (Outstanding since FY1986 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-2.

**Receivables**

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
4. The Department of Finance should review all outstanding receivables from federal agencies for propriety and collectibility. All valid receivables should be submitted to the various federal grantor agencies for collection of the amounts owed to the CNMI. All other balances should be written off to the General Fund.	DOF - Finance & Accounting Division	Unresolved (Outstanding since FY1997 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-3.
5. CHC should implement procedures to ensure that all billings are processed on a timely basis, and standard procedures should be implemented to follow-up on aged accounts. Accounts determined to be uncollectible should be written off.	DPH - CHC	Unresolved (Outstanding since FY1995 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-4.
6. Department of Finance should obtain a written agreement from the TCGCC indicating its obligation to repay the funds advanced and the time frame for repayment. No further advances to third parties should be made without adequately documenting the authorization to do so.	DOF	Unresolved (Outstanding since FY1997 Single Audit)	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.
7. The Division of Public Lands should review receivable balances and forward overdue accounts to the Attorney General's office for collection.	DPL (currently Marianas Public Lands Authority)	Unresolved (Outstanding since FY1998 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-5.

### ***Inventories***

8. CHC should establish policies and procedures to ensure timely reconciliation of the physical inventory count to the general ledger inventory balances.	DPH - CHC	Unresolved (Outstanding since FY1994 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-6.
---	-----------	--	--

### ***Advances***

9. The Department of Finance should	DOF -	Unresolved	Not corrected. See corrective action
-------------------------------------	-------	------------	--------------------------------------

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
review all advances outstanding for more than one year, evaluate their collectibility, and write off any amounts deemed uncollectible. Policies and procedures should be implemented and enforced requiring the timely liquidation of all travel advances.	Finance & Accounting Division	(Outstanding since FY1987 Single Audit)	plan to Finding No. 2000-7.
<b>Property and Equipment</b>			
10. The CNMI should perform an inventory of its fixed assets as a basis for recording all assets in the General Fixed Assets Account Group.	DOF - Finance & Accounting Division	Unresolved (Outstanding since FY1987 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-8.
<b>Other Liabilities and Accruals</b>			
11. The Department of Finance establish policies and procedures to ensure adequate recording of liabilities for goods received by the Division of Procurement and Supply.	DOF - P&S	Unresolved	Not corrected. See corrective action plan to Finding No. 2000-9.
<b>Deposits Payable</b>			
12. The Department of Finance should reconcile deposits payable to a subsidiary ledger on a monthly basis.	DOF - Finance & Accounting Division	Unresolved (Outstanding since FY1992 Single Audit)	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.
<b>Fund Balance</b>			
13. The Department of Finance should ensure that all encumbrances are recorded and reconciled on a monthly basis.	DOF - Finance & Accounting Division	Unresolved (Outstanding since FY1988 Single Audit)	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.
14. All ongoing construction projects should be monitored and documented by the Department of Finance, and a report should be prepared for the Secretary of Finance on a quarterly basis.	DOF	Unresolved (Outstanding since FY1997 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-10.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<b><i>CNMI Local Noncompliance</i></b>			
15. The Department of Finance should ensure that sufficient documentation is obtained and periodically updated to demonstrate full compliance with the requirements of public law.	DOF - Treasury	Unresolved (Outstanding since FY1996 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-11.
<b><i>Allowable Costs/Cost Principles</i></b>			
16. The CNMI should follow all Common Rule and CNMI Procurement Regulations [U.S. Department of Interior/CFDA #15.875].	DOF -P&S	Unresolved	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.
<b><i>Davis-Bacon Act</i></b>			
17. The CNMI should ensure that contractors comply with the provisions of the Davis Bacon Act [U.S. Department of the Interior/DOI and Covenant Capital Projects/CFDA #15.875].	DPW - TSD	Unresolved (Outstanding since FY1997 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-14.
<b><i>Allowable Costs/Cost Principles</i></b>			
18. The CNMI should comply with the Common Rule by establishing and implementing a written policy to ensure control over unused inventories of supplies remaining upon the termination or completion of a federal program. [All Programs]	DPW - TSD	Unresolved (Outstanding since FY1990 Single Audit)	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.
<b><i>Davis-Bacon Act</i></b>			
19. The CNMI should implement formal documentation procedures to memorialize the monitoring procedures performed, including the results of those procedures and any corrective actions taken, to ensure compliance with the above criteria [DOI and Covenant Capital Projects/CFDA #15.875].	DPW - TSD	Unresolved (Outstanding since FY1990 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-15.



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Eligibility</i>			
20. The CNMI should adhere to established policies and procedures concerning verification of income and resource levels [Nutrition Assistance Program/CFDA #10.551].	NAP	Unresolved	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.
<i>Equipment and Real Property Management</i>			
21. The CNMI should perform an inventory of its fixed assets and ensure that it is in compliance with applicable federal property rules and regulations.	DOF - P&S	Unresolved (Outstanding since FY1987 Single Audit)	Not corrected. See corrective action plan to Finding No. 2000-16.
<i>Special Tests and Provisions</i>			
22. Medicaid should perform monthly reconciliation of medicare premium payments with HCFA. Medicaid should also coordinate with HCFA for the recovery of the medicare premium payments, totaling \$95,138 which were not reflected in the HCFA statement [Medical Assistance Program/CFDA #93.778].	DPH - Medicaid	Unresolved	Per status of audit finding included in the FY 2000 Single Audit report, corrective action was taken.

# Commonwealth Development Authority

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 2001  
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent : 3/5/02, 8/9/02 (Independent Auditor re: CDA response), 9/10/02 (CDA re: Independent Auditor response), 2/18/03

Date(s) of response letter(s) received : 3/11/02, 5/28/02, 5/31/02, 8/13/02 (Independent Auditor)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. CDA should ensure that follow-up procedures on past-due loans are adhered to. Legal action should be considered for those loans which are considered unlikely to be serviceable by the borrower.	CDA	Unresolved (Outstanding since FY1994 Single Audit)	CDA shares the auditors' concerns particularly after the events of September 11 <sup>th</sup> . Prior to these events, CDA had enjoyed a better year both in collections and in the required reserve for delinquencies. Unfortunately following these events the loan portfolio did experience a decline, leading to the current audited loss reserve figure. CDA does however question whether mass foreclosures would resolve the current delinquency concerns or provide additional funds to CDA. The staff and Board of Directors of CDA are exploring alternatives, including appropriate legal action to help resolve this situation. However, full recovery has and will be dependent upon the improvement of the overall economy.
2. CDA should review instances of noncompliance with the requirements of the <i>Policies and Regulations for the Microloan Program Fund</i> (the manual) and determine if corrective action is necessary. CDA should also comply with the manual's requirements.	CDA	Unresolved	For the fiscal year ended September 30, 2001, CDA showed significant improvement in the management and filing of documents. The current year's finding related to only two files and involved the documentation of required insurance policies by the client. In all cases the policies have now been obtained. The loan department is now in the process of developing a system to monitor the status of all the loan files specifically for insurance. With this action, we believe that such exceptions will be minimized in the future.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
3. NMHC should ensure that restricted asset balances are accurately and fully maintained.	NMHC	Unresolved (Outstanding since FY1999 Single Audit)	NMHC has restored the restricted amounts as per their agreement with MPLT. Further NMHC is now forecasting and computing the required deposits amounts on a timely basis.
4. NMHC should review the monthly reports and ensure that current tenants living in units and assistance amounts are properly reported in the monthly request for HUD assistance [Lower Income Housing Assistance Program - CFDA #14.856].	NMHC	Unresolved	NMHC concurs with this finding. NMHC had performed a software conversion in September which led to the oversight. The required adjustments have been completed. NMHC is pleased that the total number of findings in the management and filing of documents dramatically improved for the current year.
5. CDA should ensure proper reporting of SF-272's to HUD [Community Development Block Grants - CFDA #14.225].	NMHC	Unresolved (Outstanding since FY2000 Single Audit)	NMHC concurs with the finding and will take appropriate action to avoid the problem in the future.

**2. Annual Financial & Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 2000  
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent : 8/22/01

Date(s) of response letter(s) received : 4/17/01, 9/21/01

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Current/Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
1.	CDA should ensure that follow-up procedures on past due loans are adhered to. Legal action should be considered for those loans which are considered unlikely to be serviceable by the borrower.	CDA	Unresolved (Outstanding since FY1994 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-1.
2.	CDA should review instances of noncompliance with the requirements of the Policies and Regulations for the Economic Development Loan Fund (the Manual) and determine if corrective action is necessary. CDA should comply with the Manual's requirements and develop a policy concerning performance and payment bonds, worker's compensation insurance, and business licenses for ancillary construction projects	CDA	Unresolved (Outstanding since FY1988 Single Audit)	Per status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.
3.	NMHC should ensure that restricted asset balances are accurately and fully maintained.	NMHC	Unresolved (Outstanding since FY1999 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-3.
4.	NMHC should investigate the procedures employed by local banks in verifying account balances to ensure that all applicant accounts are properly reported [Lower Income Housing Assistance Program - CFDA #14.856].	NMHC	Unresolved (Outstanding since FY1996 Single Audit)	Per Status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.
5.	CDA should ensure that supporting documentation and inspection reports are properly retained in the program recipient's files [Rental Voucher Program -	CDA	Unresolved	Per Status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Current/Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
	CFDA #14.855/Rental Certificate Program - CFDA #14.857].			
6.	NMHC should make inquiries or arrange training with HUD on the proper completion of HUD-52595 [Rental Voucher Program - CFDA #14.855/Rental Certificate Program - CFDA #14.857].	NMHC	Unresolved	Per Status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.
7.	NMHC should ensure proper reporting of SF-272 to HUD [Community Development Block Grants - CFDA #14.225].	NMHC	Unresolved	Not corrected. See corrective action plan to Finding No. 2001-5.

## Commonwealth Government Employees Credit Union

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended December 31, 1997  
By: Burger & Comer, P.C.**

Date(s) of followup letter(s) sent : 7/12/00, 1/22/01, 8/23/01, 3/5/02, 8/9/02, 2/12/03

Date(s) of response letter(s) received : 4/2/01 (follow-up telephone conversation)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. CGECU should ensure that the general ledger balances for loans and deposits are reconciled with the subsidiary ledgers on a periodic basis.	CGECU	Unresolved (Outstanding since FY1995 Single Audit)	The Credit Union will replace the software with a more advanced one that will produce accurate daily, monthly and yearly reports. With these type of reports, subsidiary ledgers can easily be balanced with the general ledger.
2. CGECU should reconcile the general ledger with the subsidiary ledger on a monthly basis after all audit adjustments for FY 1997 are posted.	CGECU	Unresolved (Outstanding since FY1995 Single Audit)	With the new software, CGCEU will be able to printout accrued interest receivable on loans with payments not sufficient to cover interest accrued through the end of the month. The general ledger balance will be reconciled with the loan trial balance on a monthly basis.
3. CGCEU should follow the guidance in FASB Statement No. 91, and should amortize deferred loan fees into income as an adjustment of interest income.	CGCEU	Unresolved	With the help from an accounting firm staff, CGCEU has complied with Financial Accounting Standard Board (FASB) Statement No. 91 for the year 1998 and will continue to comply with this statement.

# Commonwealth Ports Authority

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 2001  
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent : 8/9/02, 9/5/02 (Independent Auditor re: CPA response), 9/10/02  
(CPA re: Independent Auditor response), 2/14/03

Date(s) of response letter(s) received : 8/21/02 (CPA request for extension), 8/30/02, 9/5/02 (Independent Auditor)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>1. CPA management should implement procedures to notify the accounting department of substantial completion of construction projects. Such procedures should involve an internal document, separate from the construction manager's official certification of completeness, to notify the accounting department that certain assets are in place and in use and should be depreciated. CPA should review completed projects and CIP accounts to properly allocate capitalizable interest.</p>	CPA	<p>Unresolved (Outstanding since FY1998 Single Audit)</p>	<p>CPA is revising its procedures to now require the Engineering Department to issue official notice to Accounting Office on projects substantially completed or accepted for beneficial occupancy rather than when the project is 100% complete or officially closed out by the engineers. This revision is to be made for purposes of transferring the project to depreciable assets. All current projects are being reviewed to determine whether any is transferable to depreciable assets under this revised procedure.</p>
<p>2. CPA should monitor its insurance coverage for the Airport facilities to prevent potential losses and to comply with bond covenants.</p>	CPA	<p>Unresolved (Outstanding since FY2000 Single Audit)</p>	<p>The CPA records on airport fixed assets initially provided to the insurance firm will be reconciled with CPA fixed assets schedule per audit to determine specific assets not covered under our insurance policy. The insurance firm will then be instructed to include the assets not covered under our existing airport insurance policy if such assets are indeed insurable.</p>
<p>3. CPA should review all revenue generating sources to ensure that amounts collected will be sufficient to meet the requirements of the Seaport Bond Indenture Agreement.</p>	CPA	Unresolved	<p>CPA is reinstating its rate increases on port fees by April 1, 2002 at the level as originally planned in October 1, 2001. The increase was deferred for six (6) months to provide relief to CNMI</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p><b>2. Annual Financial &amp; Compliance Audit in Accordance with OMB-A-133 Fiscal Year Ended September 30, 2000</b> <b>By: Deloitte Touche Tohmatsu</b></p>			<p>consumers on rising costs of shipped goods. However, it is inevitable of the reinstatement of such increase in fees to provide sufficient revenues and comply with the Seaport Bond Indenture Agreement.</p>
Date(s) of followup letter(s) sent	:	8/20/01	
Date(s) of response letter(s) received	:	10/12/01	

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>1. The management of CPA should implement procedures to notify the accounting department of substantial completion of construction projects. Such procedures should involve an internal document, separate from the construction manager's official certification of completeness, to notify the accounting department that certain assets are in place and in use and should be depreciated.</p>	CPA	Unresolved (Outstanding since FY1998 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-1.
<p>2. CPA should monitor its insurance coverage for the Seaport facilities to prevent potential losses and to comply with bond covenants.</p>	CPA	Unresolved	Not corrected. See corrective action plan to Finding No. 2001-2.



# Commonwealth Utilities Corporation

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 1998  
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent : 7/11/00, 1/18/01, 8/20/01, 3/4/02, 8/12/02, 2/14/03

Date(s) of response letter(s) received : 9/5/02

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>1. We recommend that billings be accurately processed, editing procedures be performed prior to processing of billings and follow-up of customer disputes on a more timely basis be implemented.</p>	CUC	<p>Unresolved (Outstanding since FY1994 Single Audit)</p>	<p>CUC agrees with the finding. Management implemented procedures to address its concerns regarding the misstatement of revenue and accounts receivable that occur when billings are not accurately processed, edited, and entered timely in the accounts receivable system. After meter readings are entered in the system, Treasury examines the edit reports for significant variances and, when possible, analyzes and resolves many of the significant variances before billings are rendered. If additional information is required to resolve a variance, Treasury initiates a service order for the appropriate division (Power, Water, or Wastewater) to conduct an investigation and report its findings to Customer Relations. All adjustments recommended by Customer Relations are reviewed by the accounts receivable accountant and approved by the Assistant Comptroller or Comptroller prior to being entered in the accounts receivable system. Management is following strict guidelines in an attempt to remain up to date and correct prior year problems.</p>
<p>2. We recommend that CUC execute formal agreements with all landowners for the use of land on which CUC has assets.</p>	CUC	<p>Unresolved (Outstanding since FY1996 Single Audit)</p>	<p>CUC agrees with the finding. To correct the problem, the Executive Director appointed an Administrative Hearings Officer who, in conjunction with the</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
3. We recommend that CUC implement policies and procedures to ensure the timely follow-up and collection of balances due.	CUC	Unresolved (Outstanding since FY1994 Single Audit)	Legal Counsel, is responsible for resolving landowner easement claims against CUC. Negotiations are currently underway with several landowners. When appropriate, CUC will enter into formal agreements with the landowners for the use of their land.
4. We recommend that billing rates be entered accurately, and assigned customer rates be reviewed periodically to ensure the appropriate rate is applied.	CUC	Unresolved	CUC partially agrees with the finding. The Internal Auditor is responsible for periodically monitoring delinquent accounts receivable and the credit and collection functions to ensure that these accounts are disconnected in accordance with CUC Rules and Regulations. However, some of the accounts selected for verification were under dispute due to billing errors and easement claims and, accordingly, were not disconnected.
4. We recommend that billing rates be entered accurately, and assigned customer rates be reviewed periodically to ensure the appropriate rate is applied.	CUC	Unresolved	This finding pertains to the billing of water revenues earned on residential and commercial customer accounts and is the same as Finding No. 98-1 except that the latter pertains to the billing of both electric and water revenues earned on commercial customer accounts. Refer to comments for Finding No. 98-1 for corrective action plan. Further, in fiscal year 2000, CUC will undertake a review of all customer accounts to determine if the assigned customer rate for water is entered correctly.
5. We recommend that management ensure strict adherence to procurement policies and procedures.	CUC	Unresolved	CUC partially agrees with the finding. In emergency situations, some of which occur outside normal business hours, CUC is required to take immediate action to procure goods and services in order to minimize any interruption of essential services to the public. In these situations, the Executive Director and/or Comptroller verbally pre-approve these procurement actions.
6. We recommend that all non-emergency overtime be pre-approved and appropriately documented.	CUC	Unresolved (Outstanding since FY1996 Single Audit)	CUC agrees with the finding. Division managers and supervisors were reminded of CUC Policies and Procedures that

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			state the Executive Director and Comptroller will deny all non-emergency overtime that is not pre-approved.
7. We recommend that CUC implement a system whereby a receivable/payable account records all cash received from the grantor agency and records all related expenditures. The account should be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards. Additionally, we recommend that expenditures of the Schedule of Expenditures of Federal Awards be reconciled to contributed capital accounts on a timely basis.	CUC	Unresolved (Outstanding since FY1990 Single Audit)	CUC agrees with the finding. CUC has improved the procedures for accounting for grants. Members of the Comptroller's office, accounting section, work closely with the Grants Manager who in turn coordinates with the CNMI Federal Programs Coordinator to track all amounts due and received from grantor agencies and to ensure that related expenditures are recorded. The accounting section is now reconciling grant receivables, payables, expenditures, and contributed capital on a monthly basis.
8. We recommend that a reconciliation procedure be implemented between the records of the Federal Programs Coordinator and the Comptroller's office on a quarterly basis to ensure completeness of recording of projects in the general ledger.	CUC	Unresolved (Outstanding since FY1997 Single Audit)	CUC agrees with the finding. As mentioned in the response to Finding No. 98-7, the Comptroller's office, accounting section, works closely with the Grants Manager regarding all aspects of accounting for grants to ensure that all contributed assets and capital are properly recorded.
9. We recommend that CUC reconcile the balance due from the CNMI with appropriate CNMI officials and record any necessary adjustments.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	CUC agrees with the finding. Corrective action is underway. In conjunction with CNMI officials, CUC is reconciling the balance due from the CNMI to the government's balance. When completed, the general ledger and chief accountants will review all reconciling items and prepare appropriate adjustments. The Comptroller or Assistant Comptroller will approve all adjustments prior to entry in the accounting system.
10. We recommend that all long outstanding balances that are included in these accounts as of September 30, 1998 be reviewed and expensed where necessary. We also recommend that these accounts be reviewed on a monthly basis.	CUC	Unresolved (Outstanding since FY1993 Single Audit)	CUC partially agrees with the finding. On a monthly basis, CUC reviews the prepayment and travel advance accounts and reconciles the account balances to the general ledger. In an effort to reduce other receivables that were recorded over one year ago, CUC is (1) expending unrecoverable amounts from prior

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
11. We recommend that final inventory listings reflect the quantities of items counted at balance sheet date.	CUC	Unresolved (Outstanding since FY1994 Single Audit)	periods and (2) referring amounts to the Attorney General's Office for collection.  CUC agrees with this finding. CUC instituted procedures to ensure that the count and inventory match. On a daily basis, procurement and warehouse personnel record receipts and issues in the OrCom system. Semiannually, the same personnel make two complete physical counts of the inventory and reconcile the counts to the amounts in the system. CUC's recent experience with this procedure has been positive.
12. We recommend that CUC reconcile its inventory listing to cost documentation.	CUC	Unresolved (Outstanding since FY1996 Single Audit)	CUC agrees with the finding. As mentioned in response to audit Finding No. 98-11, CUC implemented procedures to ensure that the count and inventory match. This should preclude inventory items from having negative overall values.
13. We recommend that CUC retain supporting invoices or other appropriate documentation to substantiate inventory cost, and completely overhaul the parts inventory system to prevent further errors.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	CUC partially agrees with the finding. The current system for filing invoices has proven adequate. Prior to approving a payment, the original invoice and applicable supporting documents (receiving report, purchase order or contract, request for requisition or acquisition justification, price quotes, etc.) are attached to an accounts payable voucher. After payment, the voucher and all supporting documents are filed with Accounts Payable. However, many vendors require prepayment for the goods or services requested. In these cases, invoices are not available at the time of payment. CUC will examine its prepayment procedures to see what improvements might be made to ensure that invoices, when received, are filed with all applicable supporting documents. CUC's inventory system uses the average cost method for valuing inventory items on hand as of the balance sheet date. Further, freight may be allocated to the cost of the items. Thus, the invoice cost

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
14. We recommend that CUC implement appropriate procedures to restrict access to inventory items and to keep accurate records of all inventory items issued.	CUC	Unresolved (Outstanding since FY1996 Single Audit)	<p>for an item may not agree with the cost used in the inventory extensions.</p> <p>CUC agrees with the finding. Procurement and Supply was instructed to implement procedures restricting access to all storerooms to only warehouse personnel. In addition, warehouse personnel were instructed to follow CUC Policies and Procedures that require the preparation of receiving reports and inventory issue, return, salvage, and scrap forms for all items received and issued.</p>
15. We recommend that proper construction work-in-progress records be maintained.	CUC	Unresolved (Outstanding since FY1988 Single Audit)	<p>CUC agrees with the finding. CUC has installed computerized systems for work orders and continuing property records and trained CUC personnel on how to use the systems. These systems should help ensure that all materials and labor relating to capital projects will be attributed to the appropriate project. Further, the fixed asset accountant is responsible for reconciling the construction work in progress accounts to the work order system to ensure that the materials used for capital projects are identified and charged to the appropriate project. In addition, work orders are being adjusted monthly to reflect the correct materials, labor, and overhead used on each work order to ensure the accuracy of CUC's current job costing system.</p>
16. We recommend that CUC perform a physical inventory of all fixed assets on hand, agree the count with its records and make necessary adjustments. Additionally, we recommend that CUC implement a system of tagging fixed assets and perform periodic counts to ensure existence.	CUC	Unresolved (Outstanding since FY1988 Single Audit)	<p>CUC agrees with the finding. As part of the Partnership Agreement between the CNMI government and U.S. Department of the Interior, CUC will undertake an appraisal of all its fixed assets. When completed, CUC will adjust the applicable asset and capitalization accounts. As mentioned in response to audit Finding No. 98-15, the work order and continuing property records systems were upgraded. In addition, procurement personnel are tagging and performing periodic counts of fixed assets.</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
17. We recommend that the fixed asset register be reconciled to the general ledger on a monthly basis.	CUC	Unresolved (Outstanding since FY1997 Single Audit)	CUC agrees with the finding. In February 1999, the Comptroller's Office, accounting section, reconciled the utility plant general ledger balances to the detailed fixed asset register. Adjusting entries were made and since then, the utility plant balances are reconciled monthly to the fixed asset register. The reported condition was due primarily to the posting of manual entries to close construction work in progress and update utility plant general ledger balances but not the detailed fixed asset register.
18. We recommend that CUC implement a policy with respect to required insurance coverage levels.	CUC	Unresolved (Outstanding since FY1989 Single Audit)	CUC agrees with the finding. CUC is exploring sources and evaluating cost proposals for obtaining insurance coverage for its fixed assets. As stated in response to audit Finding No. 98-16, CUC will have its assets appraised. When completed, CUC and the potential insurance brokers will be in a better position to determine the types and amounts of coverage best suited for CUC.
19. We recommend that CUC review its system of record keeping and establish policies and procedures to ensure that utility service applications are appropriately maintained.	CUC	Unresolved	CUC agrees with the finding. We believe that current procedures adequately ensure that all new security deposits are supported by calculations prepared by the Power Division. In cases where an existing customer's service is upgraded (load capacity increased) and additional security deposit is required, the calculation does not always get transferred from the work order file to the customer's permanent file. Both Power Division and the Comptroller's Office will be jointly responsible for ensuring that security deposit calculations are transferred from all completed work order files to the applicable permanent customer file.
20. We recommend implementation of appropriate policies and procedures to ensure recording of all liabilities in the appropriate fiscal year.	CUC	Unresolved	CUC agrees with the finding. For fiscal year 1999, the Comptroller's Office, accounting section, monitored accounts payable received during the first three months of fiscal year 2000 to ensure that all payables were recorded in the proper fiscal year. Thus, we believe that all

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
21. We recommend that CUC and CDA come to an agreement regarding the precise nature of this transaction and document such an agreement accordingly.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	material liabilities for fiscal year 1999 were recorded properly.  CUC agrees with the finding. In May 1996, the Board of Directors passed a motion to recognize as a loan the payments by CDA to a creditor of CUC. Once the terms and conditions of the loan re agreed upon, CDA and CUC will enter into a promissory note agreement.
22. We recommend that a separate reserve account be established to account for both the 15 cents per gallon set aside, and the related expenditures.	CUC	Unresolved (Outstanding since FY1997 Single Audit)	CUC agrees with the finding. Although a special reserve account for balance sheet reporting purposes was not established, CUC is tracking the amount of revenues required to be set aside and the expenditures for allowable purposes. Revenues and expenditures are approximately equal. Thus, there is no reserve to report.
23. We recommend that all amounts requested for reimbursement be adequately supported [CFDA #83.544].	CUC	Unresolved	CUC partially agrees. All costs requested for reimbursement were supported by adequate documentation. It was clerical errors that were made but not caught in the review process that resulted in CUC requesting \$186 in excess of the amounts expended.
24. We recommend that all progress billings be accompanied by appropriately approved stage of completion documentation [CFDA #15.875].	CUC	Unresolved	CUC agrees. In the future, all requests for payment will be signed by the Executive Director and include certification as to the stage of completion of the project.

**2. Annual Financial & Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 1997  
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent :

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. We recommend that billings be accurately processed, editing procedures be performed prior to processing of billings and the follow-up of customer disputes on a more timely basis be implemented.	CUC	Unresolved (Outstanding since FY1994 Single Audit)	Not corrected. See corrective action plan to Finding 98-1.
2. It is recommended that CUC execute formal agreements with all landowners on which CUC has assets.	CUC	Unresolved (Outstanding since FY1996 Single Audit)	Not corrected. See corrective action plan to Finding 98-2.
3. We recommend that CUC implement policies and procedures to ensure the timely follow-up and collection of balances due.	CUC	Unresolved (Outstanding since FY1994 Single Audit)	Not corrected. See corrective action plan to Finding 98-3.
4. We recommend that all non-emergency overtime be pre-approved and appropriately documented.	CUC	Unresolved (Outstanding since FY1996 Single Audit)	Not corrected. See corrective action plan to Finding 98-6.
5. We recommend that all time summaries be signed for approval prior to the preparation of paychecks.	CUC	Unresolved	Per status of audit finding included in the FY1998 Single Audit report, corrective action was taken.
6. We recommend that CUC implement a system whereby a receivable/ payable account records all cash received from the grantor agency and records all related expenditures. The account should be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards. Additionally, we recommend that expenditures of the Schedule of	CUC	Unresolved (Outstanding since FY1990 Single Audit)	Not corrected. See corrective action plan to Finding 98-7.



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Expenditures of Federal Awards be reconciled to contributed capital accounts on a timely basis.			
7. We recommend that reconciliation procedures be implemented between the records of the Federal Programs Coordinator and the Comptroller's office on a quarterly basis to ensure completeness of recording of projects in the general ledger.	CUC	Unresolved	Not corrected. See corrective action plan to Finding 98-8.
8. We recommend that CUC reconcile the balance due from the CNMI with appropriate CNMI officials and record any necessary adjustments.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	Not corrected. See corrective action plan to Finding 98-9.
9. We recommend that all long outstanding balances that are included in these accounts as of September 30, 1997 be reviewed and expensed where necessary. We also recommend that these accounts be reviewed on a monthly basis.	CUC	Unresolved (Outstanding since FY1993 Single Audit)	Not corrected. See corrective action plan to Finding 98-10.
10. We recommend that final inventory listings reflect the quantities of items counted at balance sheet date.	CUC	Unresolved (Outstanding since FY1994 Single Audit)	Not corrected. See corrective action plan to Finding 98-11.
11. We recommend that CUC reconcile its inventory listing to cost documentation.	CUC	Unresolved (Outstanding since FY 1996 Single Audit)	Not corrected. See corrective action plan to Finding 98-12.
12. We recommend that CUC retain supporting invoices or other appropriate documentation to substantiate inventory cost, and completely overhaul the parts inventory system to prevent further errors.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	Not corrected. See corrective action plan to Finding 98-13.
13. We recommend that CUC implement appropriate procedures to restrict access to inventory items and to keep accurate records of all inventory items issued.	CUC	Unresolved (Outstanding since FY1996 Single Audit)	Not corrected. See corrective action plan to Finding 98-14.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
14. We recommend that a job costing system be implemented to ensure that all materials and labor relating to capital projects can be specifically attributed to that project.	CUC	Unresolved (Outstanding since FY1988 Single Audit)	Not corrected. See corrective action plan to Finding 98-15.
15. We recommend that CUC perform a physical inventory of all fixed assets on hand, agree the count with its records and make necessary adjustments. Additionally, we recommend that CUC implement a system of tagging fixed assets and perform periodic counts to ensure existence.	CUC	Unresolved (Outstanding since FY1988 Single Audit)	Not corrected. See corrective action plan to Finding 98-16.
16. We recommend that CUC implement a procedure ensuring that project completion notifications are completed on a timely basis by project engineers and forwarded to the accounting division for proper recording. We also recommend that such a project completion notification include an estimate of the completed asset's useful life to assist accounting personnel in proper capitalization of the asset.	CUC	Unresolved (Outstanding since FY1988 Single Audit)	Per status of audit finding included in FY1998 Single Audit report, corrective action was taken.
17. We recommend that the fixed asset register be reconciled to the general ledger on a monthly basis.	CUC	Unresolved	Not corrected. See corrective action plan to Finding 98-17.
18. We recommend that CUC implement a policy with respect to required insurance coverage levels.	CUC	Unresolved (Outstanding since FY1989 Single Audit)	Not corrected. See corrective action plan to Finding 98-18.
19. We recommend that CUC and CDA come to an agreement regarding the precise nature of this transaction and document such an agreement accordingly.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	Not corrected. See corrective action plan to Finding 98-21.
20. We recommend that all change orders be approved prior to additional work being performed [CFDA #15.875].	CUC	Unresolved	Per status of audit finding included in FY1998 Single Audit report, corrective action was taken.

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Current/Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
21. We recommend that a separate reserve account be established to account for both the 15 cent per gallon set aside, and the related expenditures.	CUC	Unresolved	Not corrected. See corrective action plan to Finding 98-22.

# Northern Marianas College

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 2000  
By: J. Scott Magliari & Company**

Date(s) of followup letter(s) sent :

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Journal Entries</i>			
1. NMC should establish and implement internal control accounting policies and procedures to ensure that only properly approved and reviewed journal entries are recorded in the general ledger. All journal vouchers should be independently reviewed and approved prior to being recorded in the general ledger, numerically controlled and properly accounted for. All journal vouchers should be keyed-in the general ledger in a timely manner. Established cash disbursement procedures should be adhered to.	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	Auditee did not respond specifically to this finding. Auditee made a general response.
<i>Purchases/Disbursements</i>			
2. NMC should enforce the implementation of the established internal control accounting policies and procedures to ensure that all disbursements are properly approved and authorized for payment. Established cash disbursement procedures should be adhered to.	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	Auditee did not respond specifically to this finding. Auditee made a general response.
3. NMC should enforce the implementation of the established internal control accounting policies and procedures to ensure that all disbursements are properly approved	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	Auditee did not respond specifically to this finding. Auditee made a general response.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
and authorized for payment. Established cash disbursement procedures should be adhered to.			
4. NMC should strengthen established internal control accounting policies and procedures to ensure that all disbursements are properly approved and authorized for payment.	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	Auditee did not respond specifically to this finding. Auditee made a general response.
<b>Bank Reconciliation</b>			
5. NMC should reconcile and close all inactive accounts. Furthermore, NMC should contact the Bank and obtain current bank statements for the above-mentioned inactive and dormant checking accounts to determine funds held by the bank on behalf of the College.	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	Auditee did not respond specifically to this finding. Auditee made a general response.
6. NMC should ensure that all supporting documents be attached to the check vouchers, purchase orders and journal entries and filed in a manner that ensures no document will be lost or misfiled.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
<b>Advances to Employees</b>			
7. NMC should establish and implement internal control accounting policies and procedures over employees advances.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
<b>Due To and Due From Accounts</b>			
8. NMC should establish internal control policies and procedures to ensure that interfund transactions and journal entries are posted in a timely manner and that account balances are reconciled on a monthly basis.	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	Auditee did not respond specifically to this finding. Auditee made a general response.
9. NMC should establish internal control policies and procedures to ensure that interfund transactions and journal	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>entries are posted in a timely manner and that account balances are reviewed and reconciled on a monthly basis.</p>			
<b>Fixed Assets Capitalization Policy</b>			
<p>10. NMC should ensure that capital fixed assets are properly accounted for in accordance with its capitalization policy.</p>	NMC	<p>Unresolved (Outstanding since FY 1989 Single Audit)</p>	<p>Auditee did not respond specifically to this finding. Auditee made a general response.</p>
<b>Fixed Asset Listing</b>			
<p>11. NMC should strengthen their established internal control procedures on fixed assets. The annual inventory conducted by each department should tie up with its records and make the necessary adjustments for any discrepancies noted. Fixed assets should be tagged and numbered.</p>	NMC	<p>Unresolved (Outstanding since FY 1989 Single Audit)</p>	<p>Auditee did not respond specifically to this finding. Auditee made a general response.</p>
<b>Schedule of Federal Awards</b>			
<p>12. NMC should enforce the established internal control policies and procedures in properly accounting for all amounts received from and paid to the grantor agency. An account should be established to record all such transactions. This account should be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards. Receivable and payable amounts due to and due from the federal grantor agencies, respectively, should be confirmed and reconciled monthly.</p>	NMC	<p>Unresolved (Outstanding since FY 1989 Single Audit)</p>	<p>Auditee did not respond specifically to this finding. Auditee made a general response.</p>
<b>Eligibility</b>			
<p>13. The Upward Bound staff should ensure that the checklists in the files are maintained and that all the required documents supporting eligibility are in the respective student files. [Upward Bound/CFDA #84.047A].</p>	NMC	Unresolved	<p>Auditee did not respond specifically to this finding. Auditee made a general response.</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<b>Subrecipient Monitoring</b>			
14. The respective Upward Bound Programs, NMC and ASCC, should adhere to the agreements set forth in the <i>Memorandum of Understanding</i> . NMC should establish and implement internal control policies and procedures to monitor subrecipients. [Upward Bound/CFDA #84.047A].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
<b>Reporting</b>			
15. NMC should investigate and reconcile the discrepancy between the SF-269 and the general ledger. Procedures should be established and implemented to ensure that all federal program expenditures are accurately reported based on actual expenditures incurred and recorded in the general ledger. [Land Grant Research/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
16. NMC should establish and implement internal control policies and procedures to ensure that federal financial reporting requirements are complied within a timely manner. [Land Grant Research/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
17. NMC should establish and implement internal control policies and procedures to ensure that federal financial reporting requirements are complied within a timely manner. NMC should file the Federal Cash Transaction Reports as required by 7 CFR §3016.41 and copies of these reports should be maintained in an easily retrievable manner [Land Grant Research/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
18. NMC should investigate and reconcile the discrepancy between the SF-269 and the general ledger. Procedures should be established and implemented to ensure that all federal program expenditures are accurately reported based on actual expenditures incurred and recorded in	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
the general ledger [Land Grant Extension/CFDA #10.205].			
19. I recommend that NMC maintain and adhere to a schedule of reporting deadlines [Land Grant Extension/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
20. NMC should establish and implement internal control policies and procedures to ensure that federal financial reporting requirements are complied within a timely manner. NMC should file the Federal Cash Transaction Reports as required by 7 CFR §3016.41 and copies of these reports should be maintained in an easily retrievable manner [Land Grant Extension/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
21. NMC should establish and implement internal control policies and procedures to ensure that federal reporting requirements are complied within a timely manner [Pell Grant/CFDA #84.063].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
22. NMC should establish and implement internal control policies and procedures to properly account for all transactions recorded on the general ledger and be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards. [All Federal Grants]	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
<b>Equipment and Real Property Management</b>			
23. We recommend that appropriate accounting policies and procedures be established for fixed assets [All Federal Grants].	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	Auditee did not respond specifically to this finding. Auditee made a general response.



**2. Annual Financial & Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 1999  
By: J. Scott Magliari & Company**

Date(s) of followup letter(s) sent : 8/20/01, 3/4/02, 8/12/02, 9/3/02 (Independent Auditor re: NMC response), 9/30/02 (NMC re: Independent Auditor response), 2/12/03

Date(s) of response letter(s) received : 8/13/02, 9/23/02 (Independent Auditor), 3/7/03

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Financial Statement</i>			
1. NMC should establish and implement internal control accounting policies and procedures to ensure that only properly approved and reviewed journal entries are recorded in the general ledger. All journal vouchers should be independently reviewed and approved prior to being recorded in the general ledger, numerically controlled and properly accounted for. All journal vouchers should be keyed-in the general ledger in a timely manner. Established cash disbursement procedures should be adhered to.	NMC	Unresolved	Subsequently, the College made a corrective plan based on this finding. The Chief Accountant will now process all journal entries, attaching all related supporting documents e.g. purchase order, check request, cancelled check, vendor's invoice or receipt, and/or an accounting schedule summarizing the pertinent data being journalized. The Comptroller will then review the journal entries and the supporting documents and if found proper, approves by signing the journal vouchers on the space provided. The Chief Accountant keys into the system only journal vouchers approved and signed by the Comptroller, in a timely manner, to the proper accounting period. A journal voucher file is maintained and properly secured.
2. NMC should establish and implement internal control accounting policies and procedures to ensure that only properly reviewed and approved journal entries are recorded in the general ledger. All journal vouchers should be independently reviewed and approved prior to being recorded in the general ledger, numerically controlled and properly accounted for. All journal vouchers should be keyed-in the general ledger in a timely manner.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
3. NMC should adhere to established policies and procedures to ensure that all timesheets are completed and employment contracts are properly accounted for prior to disbursement.	NMC	Unresolved	The current procedure of the College is that a Personnel Action (PA) instead of the employment contract is received from the Human Resources Office for payroll computation. While the employment contract is not furnished to the Finance Office, it is to be noted that the PA is processed simultaneously with the employment contract. The accuracy of the PA is ensured by the three-tiered approval process consisting of the preparation of the employment contract and the relative PA by the HR Office, approval and fund certification by the Budget Office, and final approval by the President. Prior to disbursement, all checks are reviewed for accuracy for the second time, in addition to the review made during the document approval process. This corrective action resulted to a no condition of the same finding identified during the fiscal year 2000 audit.
4. NMC should establish and implement internal control policies and procedures to ensure that employees are paid at authorized and approved rates of pay or contractual amounts. Employment contracts should be updated and approved by the Human Resources Department prior to making changes to employee salaries or rates. NMC should review existing employment contracts for completeness and proper authorization.	NMC	Unresolved	As indicated in the status of the Finding No. 99-3, the documentations required and three-tiered review process supplemented by the two verifications by the Comptroller ensure that employees are paid only at authorized and approved rates or at contractual amounts. For the fiscal year 2000 audit, there was no condition of the same finding identified.
5. NMC should establish internal control policies and procedures to ensure that interfund transactions and journal entries are posted in a timely manner and that account balances are reconciled on a monthly basis.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
6. NMC should reconcile and close all inactive accounts. Furthermore, NMC should contact the Bank and obtain	NMC	Unresolved	On 7/12/01, NMC have written their banks to provide them a listing of all accounts maintained with them and the

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
current bank statements for the above-mentioned inactive and dormant checking accounts to determine funds held by the bank on behalf of the College.			last bank statement supporting the balance listed. Inactive accounts have been subsequently reconciled and closed.
7. Established procedures should be adhered to. All bank accounts should be reconciled monthly.	NMC	Unresolved	This was subsequently corrected, as there was no finding identified with the same condition in the fiscal year 2000 audit. For purposes of reconciliation, a general ledger trial balance is generated on screen by NMC on a monthly basis. The endowment financial statement is now prepared monthly, and updated in the system accordingly. Any journal entry, duly supported, is prepared, reviewed for accuracy and proper documentation, approved and keyed into the system to the proper accounting period in a timely fashion.
8. NMC should ensure that capital fixed assets are properly accounted for in accordance with its capitalization policy.	NMC	Unresolved	Subsequently, as contained in the new Procurement Regulation, the capitalization policy was changed from \$5,000 to \$500, which was approved by the Board of Regents and implemented in January 2000.
9. NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval.	NMC	Unresolved	A corrective action was subsequently taken by NMC, adopting a document checklist for the processing of documents, including but not limited to purchase orders, check requests, check voucher and receiving report. For the fiscal year 2000 audit, there was no condition of the same finding identified.
10. NMC should perform a physical inventory of all fixed assets on hand, agree the count with its records, and make necessary adjustments. Fixed assets should be tagged and numbered.	NMC	Unresolved	For the fiscal year 2002, the Property and Procurement Management Office (PPMO) has started implementing the tangible assets tagging procedures on acquired assets. The various departments now consistently conduct annual inventory. The results are reviewed and reconciled by PPMO with its master

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>11. NMC should establish and implement internal control policies and procedures to properly account for all amounts received from and paid to the grantor agency. An account should be established to record all such transactions. This account should be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards. Receivable and payable amounts due to and due from the federal grantor agencies, respectively, should be confirmed reconciled monthly.</p>	NMC	Unresolved	<p>records. Discrepancies are investigated. Any required adjustments, duly supported, are made and keyed into the system, as appropriate. The property records maintained at PPMO are reconciled with the Schedule of Fixed Assets.</p> <p>Auditee did not respond specifically to this finding. Auditee made a general response.</p>
<p>12. NMC should establish internal control policies and procedures for depositing cash to ensure that collections are deposited the next banking day and that validated deposit slips are attached to the cashier's report. Cash receipts should be used in sequential order. Management should make periodic reviews to ensure the policy is being adhered to.</p>	NMC	Unresolved	<p>The College has already made the necessary actions to correct this condition. Comprehensive internal controls and procedures are now in place for the security of cash and related items. Collections are now deposited intact on the next business day. Receipts are issued electronically, unless this is not possible due to a power failure. Armored car services are being utilized. Validated deposited slips are attached to the cashier's report. Summary cash reports are reviewed and reconciled daily. Discrepancies, if any, are investigated as soon as discovered. Irregularities, defalcations, and related financial fraud, or suspicion thereof, are reported to the Office of the Public Auditor, and AGO, if warranted, for prosecution to the fullest extent of the law. For fiscal year 2000 audit, there was no finding identified with the same condition.</p>
<p>13. The misappropriated funds should be fully investigated to determine</p>	NMC	Unresolved	<p>As indicated in Finding 99-12, comprehensive internal controls and</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>whether an error occurred or whether funds were embezzled. NMC should establish a procedure for depositing cash to ensure that collections are deposited the next banking day, and that validated deposit slips are attached to the cashier's report. Management should make periodic reviews to ensure the policy is being adhered to.</p>			<p>procedures are now in place for the security of cash and related items. For fiscal year 2000 audit, there was no finding identified with the same condition.</p>
<b>Program</b>			
<p>14. NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Land Grant Research/CFDA #10.205].</p>	NMC	<p>Unresolved (Outstanding since FY 1995 Single Audit)</p>	<p>A corrective action was subsequently taken by NMC. A document checklist for processing purchase orders, travel authorizations, check request and travel vouchers are being implanted by NMC for strict adherence. For fiscal year 2000 audit, there was no finding identified with the same condition.</p>
<p>15. NMC's travel policy should be strictly enforced. The above-mentioned travel advances should be fully investigated to either obtain the missing documents or reimbursement from the traveler [Land Grant Research/CFDA #10.205].</p>	NMC	<p>Unresolved (Outstanding since FY 1995 Single Audit)</p>	<p>Subsequently, compliance with travel policies is now strictly enforced and reviewed for effectiveness by the College. For fiscal year 2000 audit, there was no finding identified with the same condition.</p>
<p>16. NMC staff should comply with established procurement policies [Land Grant Research/CFDA #10.205].</p>	NMC	Unresolved	<p>NMC corrective action plan was a strict enforcement of the new procurement regulations ensuring its compliance with the procurement policies. There was no finding identified with the same condition in the fiscal year 2000 audit.</p>
<p>17. NMC should comply with established procedures [Land Grant Research/CFDA #10.205].</p>	NMC	Unresolved	<p>NMC has already considered a corrective action on this condition. The old purchase order numbering system, which required the fiscal year as a prefix number, has been changed to a simple sequential numbering system. All</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
18. NMC should file federal financial reports in a timely manner and copies of these reports be maintained. NMC should establish and implement internal control policies and procedures to ensure that federal financial reporting requirements are complied within a timely manner [Land Grant Research/CFDA #10.205].	NMC	Unresolved (Outstanding since FY1993 Single Audit)	accountable forms in use are now pre-numbered, the issuance of which is monitored and/or accounted for through a document log-in system that is maintained at the Finance Office as a document tracking system.  The corrective action plan of the College is the implementation of the Board of Regents policies, which includes the compliance with federal regulations. The Federal Cash Transactions Report (SF-272) is now prepared quarterly in conjunction with the monthly financial statements prepared on a fund level as required by Board of Regents policy. The user is also reminded of the annual report submission date.
19. NMC should establish and implement internal control policies and procedures to ensure that federal financial reporting requirements are complied within a timely manner. NMC should file the Federal Cash Transactions Report as required by 7 CFR §3016.41 and copies of these reports should be maintained in an easily retrievable manner [Land Grant Research/CFDA #10.205].	NMC	Unresolved	As indicated in Finding No. 99-18, the College has already made a corrective action plan.
20. Internal control policies and procedures should be established to ensure that all disbursements are supported by vendor invoices, purchase orders with requisite approval, and filed in a manner to facilitate easy file retrieval. Management should perform the periodic internal review to ensure the system is operating as intended [Land Grant Extension/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
21. NMC should establish and implement internal control policies and procedures to ensure that federal financial reports are filed in a timely manner, and copies of these reports	NMC	Unresolved	As explained in Finding No. 99-18, a corrective action plan was made by the College to ensure that federal reporting requirements are being adhered to.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
should be maintained. NMC should make every effort to bring reports current [Land Grant Extension/CFDA #10.205].			
22. NMC should establish internal control policies and procedures over procurement and disbursement to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher, and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Upward Bound/CFDA #84.047A].	NMC	Unresolved	The College has already taken the necessary actions to correct such situation. This was evidenced during the fiscal year 2000 audit, as there was no finding of the same condition identified.
23. The Upward Bound staff should ensure that the checklists in the files are maintained, and that all the required documents supporting eligibility are in the respective student files [Upward Bound/CFDA #84.047A].	NMC	Unresolved	On fiscal year 2002, a document checklist was implemented on the Upward Bound Regular Project Proposal. Follow-up procedures were also instituted where documents are not complete. Applications that are not backed by the required documents are not processed until compliance is fully met.
24. The respective Upward Bound Programs, NMC and ASCC, should adhere to the plan set forth in the <i>Upward Bound Regular Project Proposal</i> for the period 1995-1999 and as required by the Grant Award Notification dated 4/15/98. NMC should establish and implement internal control policies and procedures to monitor subrecipients [Upward Bound/CFDA #84.047A].	NMC	Unresolved	During the fiscal year 2000 audit, the College has ensured that compliance with the requirements set forth in the Upward Bound Project Proposal are being adhered to. The Project Director of American Samoa Community College submits monthly fiscal reports for the fiscal year 9/30/00.
25. The Memorandum of Understanding should be executed and signed by the Grantee and the Subrecipient [Upward Bound/CFDA #84.047A].	NMC	Resolved	A Memorandum of Understanding was executed and signed by the grantee and subrecipient for a four-year period of September 1999 to August 2003.
26. NMC should adhere to student eligibility requirements pursuant to 34 CFR 668.32 and 34 CFR 690.75. The results of all eligibility determinations	NMC	Unresolved	Document checklist for processing of purchase orders, travel authorizations, check requests and travel vouchers are

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
should be documented and filed in a manner to facilitate easy retrieval. It is also recommended that if documents are removed from the file that the tracking sheet be updated to reflect this action [Pell Grant/CFDA #84.063].			being implemented for strict adherence. There was no finding of the same condition noted in the fiscal year 2000 audit.

**3. Annual Financial & Compliance Audit in Accordance with OMB-A-I33 Fiscal Year Ended September 30, 1998 By: J. Scott Magliari & Company**

Date(s) of followup letter(s) sent :

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Financial Statements</i>			
1. NMC should establish a policy to regularly print the computer records.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
2. NMC should establish and implement internal control policies and procedures to reconcile the subsidiary ledger with the general ledger on a monthly basis.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
3. Established procedures should be adhered to. NMC should ensure that all supporting documents be attached to the check voucher, purchase orders and journal entries and filed in a manner that ensures no document will be lost or misplaced. Management should perform periodic internal reviews to ensure transactions are supported by proper and complete documentation.	NMC	Unresolved	Subsequently, the College has made a corrective plan based on this finding. The Chief Accountant will now process all journal entries, attaching all related supporting documents e.g. purchase order, check request, canceled check, vendor's invoice or receipt, and/or an accounting schedule summarizing the pertinent data being journalized. The Comptroller will then review the journal entries and the supporting documents and if found proper, approves by signing the journal vouchers on the space provided. The Chief Accountant keys into the



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
4. NMC should enforce and adhere to its established cash management internal control policies and procedures. NMC should ensure that cashier's reports are regularly reviewed by the designated officer.	NMC	Unresolved	<p>system only journal vouchers approved and signed by the Comptroller, in a timely manner, to the proper accounting period. A journal voucher file is maintained and properly secured.</p> <p>NMC has already made the necessary actions to correct this condition. Comprehensive internal controls and procedures are now in place for the security of cash and related items. Collections are now deposited intact on the next business day. Receipts are issued electronically, unless this is not possible due to a power failure. Armored car services are being utilized. Validated deposited slips are attached to the cashier's report. Summary cash reports are reviewed and reconciled daily. Discrepancies, if any, are investigated as soon as discovered. Irregularities, defalcations, and related financial fraud, or suspicion thereof, are reported to the Office of the Public Auditor, and AGO, if warranted, for prosecution to the fullest extent of the law. For fiscal year 2000 audit, there was no finding identified with the same condition.</p>
5. NMC should establish and implement internal control policies and procedures to ensure that all documents are complete and kept on file.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response. There was no finding of the same condition noted in the fiscal year 2000 audit.
6. NMC should establish and implement internal control policies and procedures to ensure that employees are paid at authorized and approved rates of pay or contractual amounts. Employment contracts should be updated and approved by the Human Resources Department prior to making changes to employee salaries or rates. NMC should review existing employment contracts for completeness and proper authorization.	NMC	Unresolved	As indicated in the status of the Finding No. 99-3, the documentations required and the three-tiered review process supplemented by the two verifications by the Comptroller ensure that employees are paid only at authorized and approved rates or at contractual amounts. There was no finding of the same condition noted in fiscal year 2000 audit.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
7. NMC should establish and implement internal control policies and procedures to ensure that employees are paid at authorized and approved rates of pay or contractual amounts. Employment pay rates should be updated and approved by the Human Resources Department prior to making changes to employee salaries or pay rates. NMC should ensure that records in the payroll register agree with employee records and that only those deductions authorized by the employee are deducted.	NMC	Unresolved	As indicated in the status of the Finding No. 99-3, the documentations required and the three-tiered review process supplemented by the two verifications by the Comptroller ensure that employees are paid only at authorized and approved rates or at contractual amounts. There was no finding of the same condition noted in fiscal year 2000 audit.
8. NMC should implement a stale-date check policy and all checks voided should be recorded as such in the cash disbursements journal.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response. There was no finding of the same condition noted in the fiscal year 2000 audit.
9. Management should review all bank reconciliation, ensure that reconciling items are supported by evidential matter and are posted in the proper accounting period.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response on pages 68 and 69. There was no finding of the same condition noted in the fiscal year 2000 audit.
10. Established procedures should be adhered to. All bank accounts should be reconciled monthly.	NMC	Unresolved	NMC has taken the necessary actions to correct this condition. For purposes of reconciliation, a general ledger trial balance is now generated on screen by NMC on a monthly basis. The endowment financial statements are now prepared monthly, and updated in the system accordingly. Any journal entry, duly supported, is prepared, reviewed for accuracy and proper documentation, approved and keyed into the system to the proper accounting period in a timely fashion. There was no finding of the same condition noted in the fiscal year 2000 audit.
11. NMC should reconcile and close all inactive accounts. Furthermore, NMC should contact the Bank and obtain current bank statements for the above-mentioned inactive and dormant checking accounts to	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
determine funds held by the bank on behalf of the College.			
12. NMC should ensure that capital fixed assets are properly accounted for in accordance with its capitalization policy.	NMC	Unresolved	For the fiscal year 2002, the Property and Procurement Management Office (PPMO) has started implementing the tangible assets tagging procedures on acquired assets. The various departments now consistently conduct annual inventory. The results are reviewed and reconciled by the PPMO with its master records. Discrepancies are investigated. Any required adjustments, duly supported, are made and keyed into the system, as appropriate. The property records maintained at the PPMO are reconciled with the Schedule of Fixed Assets.
13. NMC should perform a physical inventory of all fixed assets on hand, agree the count with its records and make necessary adjustments. Fixed assets should be tagged and numbered.	NMC	Unresolved	In Fiscal Year 2000, the Property and Procurement Management Office (PPMO) has implemented the tangible assets tagging procedures on acquired assets. The various departments now consistently conduct annual inventory. The results are reviewed and reconciled by the PPMO with its master records. Discrepancies are investigated. Any required adjustments, duly supported, are made and keyed into the system, as appropriate. The property records maintained at the PPMO are reconciled with the Schedule of Fixed Assets.
14. NMC should establish internal control policies and procedures to ensure that interfund transactions and journal entries are posted in a timely manner and account balances are reconciled on a monthly basis.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
15. NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice,	NMC	Unresolved	NMC has already adopted a document checklist for the processing of documents, including but not limited to Purchase Orders, Check Requests, check voucher and receiving report. There was no finding of the same condition noted in the fiscal year 2000 audit.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval.			
16. NMC should establish and implement internal control policies and procedures to properly account for all amounts received from and paid to the grantor agency. An account should be established to record all such transactions. This account should be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards.	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
<b>Program</b>			
17. NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Land Grant Research/CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1995 Single Audit)	A corrective action was subsequently taken by NMC. A document checklist for processing purchase orders, travel authorization, check request and travel vouchers are being implanted by NMC for strict adherence. For fiscal year 2000 audit, there was no finding identified with the same condition.
18. NMC's travel policy should be strictly enforced. The above mentioned travel advances should be fully investigated to either obtain the missing documents or reimbursement of the amount due from the traveler [Land Grant Research/CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1995 Single Audit)	Compliance with travel policies is now strictly enforced and reviewed for effectiveness. There was no finding of the same condition noted in the fiscal year 2000 audit.
19. All open purchase orders and invoices should be matched and compared to receiving reports for completeness to ensure that payments made do not exceed authorized amounts and to ensure that funds are expended only for actual goods or service received [Land Grant	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Research/CFDA #10.205].			
20. NMC should establish internal control policies and procedures to ensure that all journal entries are properly documented, reviewed, and approved by a designated independent individual prior to approval and recording in the general ledger [Land Grant Research/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
21. Established procedures should be adhered to. NMC should exercise care in maintaining personnel files and ensure that payroll authorization forms are properly completed and updated [Land Grant Research/CFDA #10.205].	NMC	Unresolved	The payroll accountant stated that the employee has already resigned. Per the payroll accountant, all files of current employees will be updated. There was no finding of the same condition noted in the fiscal year 2000 audit.
22. NMC should investigate and reconcile the discrepancy between the FSR-269 and the general ledger. Procedures should be established and implemented to ensure that all federal program expenditures are accurately reported based on actual expenditures incurred and recorded in the general ledger [Land Grant Research/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
23. NMC must establish internal control policies and procedures to ensure that all Federal financial reporting requirements are met, prepared and filed in a timely manner [Land Grant Research/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
24. Vendor files should be adequately maintained and invoice documentation should be obtained, verified and approved to substantiate all disbursements prior payment and filed in a manner to mitigate the loss or misplacement of documents. Management should conduct periodic internal review to ensure that the system is functioning as	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
designed and intended [Land Grant Extension/CFDA #10.205].			
25. NMC should investigate and reconcile the discrepancy between the FSR-269 and the general ledger. Procedures should be established and implemented to ensure that all federal program expenditures are accurately reported based on actual expenditures incurred and recorded in the general ledger [Land Grant Extension/CFDA #10.205].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
26. NMC's Upward Bound program staff should ensure that the checklists in the files are maintained and that a tracking sheet be created and used to track all documents placed in or removed from participant's files [Upward Bound/CFDA #84.047A].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
27. Transactions should be supported by sufficient corroborating evidential documentation to substantiate disbursements inclusive of invoices, receiving reports, approved check vouchers, and filed in a systematic manner that ensures and facilitates easy retrieval. Management should perform periodic internal reviews to ensure the system is operating as intended [Upward Bound/CFDA #84.047A].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response.
28. The respective Upward Bound Programs, Northern Marianas College and American Samoa Community College, should adhere to the plan set forth in the <i>Upward Bound Regular Project Proposal</i> for the period 1995-1999 and as required by the Grant Award Notification dated 5/20/97. NMC should establish and implement procedures for monitoring subrecipients to ensure financial and program compliance	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response on pages 68 and 69. There was no finding of the same condition noted in the fiscal year 2000 audit.

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Current/Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
with federal grant regulations [Upward Bound/CFDA #84.047A].			
29. The Memorandum of Understanding should be signed by the Grantee and the Subrecipient [Upward Bound/CFDA #84.047A].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response. There was no finding of the same condition noted in the fiscal year 2000 audit.
30. NMC should adhere to student eligibility requirements pursuant to 34 CFR §668.32 and 34 CFR §690.75. The results of all eligibility determinations should be documented and filed in a manner to facilitate easy retrieval. It is also recommended that if documents are removed from the file that the tracking sheet be updated to reflect this action [Pell Grant/CFDA #84.063].	NMC	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response. There was no finding of the same condition noted in the fiscal year 2000 audit.

**4. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 1997  
By: Burger & Comer, P.C.**

Date(s) of followup letter(s) sent : 1/18/01

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Federal Awards and Questioned Costs</i>			
1. We recommend that NMC staff comply with established policies [Dept. Of Agriculture/Land Grant Research/CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1995 Single Audit)	<p>The condition of the two TA's is correctly stated. We have implemented the following procedures:</p> <ol style="list-style-type: none"> <li>1. A checklist of all requirements to be attached to the documents being processed (purchase order, check request, travel authorization, travel voucher, etc.) be instituted;</li> <li>2. Final review as to the completeness of the TA be made by the Business Office (A/P Section or designee),</li> <li>3. That no checks will be prepared and issued unless checklist on compliance is fully met.</li> <li>4. That final review of the completeness of supporting documents be made by Comptroller prior to actual disbursement of check and filing, and his initials placed thereon as evidence that the checklist is fully complied with.</li> </ol> <p>There was no finding of the same condition noted in the fiscal year 2000 audit.</p>
2. We recommend that NMC staff comply with their established policies [Dept. Of Agriculture/Land Grant Research/CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1995 Single Audit)	<p>During the fiscal year 2000, NMC implemented the following procedures:</p> <ol style="list-style-type: none"> <li>1. NMC instituted a better internal control on all financial aspects of</li> </ol>



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>3. We recommend that all supporting documents be attached to the check voucher and filed in a manner that ensures no documents will be lost or misplaced [Dept. Of Agriculture/Land Grant Research/CFDA #10.205].</p>	NMC	<p>Unresolved (Outstanding since FY 1995 Single Audit)</p>	<p>the operation, including but not limited to the use of purchase orders;</p> <ol style="list-style-type: none"> <li>2. The use of compliance checklist, similar to that on recommended on TA processing, be instituted also in the processing of purchase order. In addition, where confirming purchase order is allowed, justification therefore will be submitted.</li> <li>3. Final review is being made by the Business Office (A/P Section or designee) to ensure full compliance with supporting documentation requirement is made before checks are cut; and</li> <li>4. All checks prepared are now reviewed by the Comptroller to ensure full compliance with documentation requirements is met and his initials affixed.</li> </ol> <p>There was no finding of the same condition identified in the 2000 audit.</p> <p>NMC fully agrees with the recommendation and the following are instituted:</p> <ol style="list-style-type: none"> <li>1. Where a checklist is required, a cursory review to ensure full compliance with documentation requirements is made by the Business Office (A/P Section or designee) before checks are cut;</li> <li>2. In addition, final review is made by the Comptroller prior to actual disbursement of check, and his initial placed thereon as an evidence that this requirement is complied with;</li> <li>3. Filing of documents are now done in a more secured manner to ensure that no documents are lost; and</li> <li>4. The present record section of the Business Office will be renovated</li> </ol>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			more securely and more efficient procedures will be set up and implemented to safeguard the documents stored.
4. We recommend that NMC staff should follow all grant requirements. Relevant Federal government circulars should be available to staff responsible for determining activities allowed and allowable costs under each federal program [Dept. of Agriculture/Land Grant Research/CFDA #10.205].	NMC	Unresolved	Relevant government circular are now made available to the staff responsible for determining activities allowed and allowable costs under each federal program.
5. We recommend that NMC staff should lower their capitalization limit to conform to the OMB Circular A-133 rules and regulations [All Federal Grants].	NMC	Unresolved	In fiscal year 2001, NMC's capitalization policy was lowered down from \$5,000 to \$500. The change has been incorporated in the approved Procurement Regulations.
6. We recommend that NMC staff comply with their established policies [Dept. of Agriculture/Land Grant Research/Land Grant Extension/ CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1995 Single Audit)	The Comptroller or his designee now reviews all travel advance liquidation reports to ensure that all required documentations, including trip reports are attached as part of the procedure to approve travel (voucher) liquidation report. Before actual disbursement, the Comptroller's initials shall be affixed on the check as evidence that the required verification was performed and complied with. There was no finding of the same condition noted in the fiscal year 2000 audit.
7. We recommend that NMC should file federal financial reports in a timely manner and that copies of these reports be maintained [Dept. of Agriculture/Land Grant Research/CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1993 Single Audit)	NMC agreed and fully implemented the recommendation that the annual financial reports on federal program are filed in a timely manner and copies of these reports be maintained on file. There was no finding of the same condition noted in the fiscal year 2000 audit.
8. We recommend that NMC should revise its method of recording and tracking amounts which relate to federal matching requirements [Dept. of Agriculture/Land Grant Research/CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1992 Single Audit)	NMC has installed MIP's "NPS" fund accounting system and has trained its accounting staff to resolve the problem. The system provides for an accurate expense tracking system on a program level. Periodic training will be provided continuously as is required in fiscal automation.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
9. We recommend that NMC staff prepare form SF-269 based on actual disbursements and reconcile the figures reported to the general ledger [Dept. of Agriculture/Land Grant Extension/CFDA #10.205].	NMC	Unresolved	NMC agreed with the finding and stated that reconciliation policy and procedure is in place during the period under audit. However, this procedure was not updated when there were additional entries entered in the general ledger.
10. We recommend that NMC staff comply with their established policies [Dept. of Agriculture/Land Grant Extension/CFDA #10.205]	NMC	Unresolved (Outstanding since FY 1995 Single Audit)	The Business Office now performs final review to ensure the purchase order is attached where and when required. The Comptroller is tasked to verify if all pertinent supporting documents are attached; his initials affixed to the check as evidence that the required verification is performed.
11. We recommend that all supporting documents be attached to the check voucher and filed in a manner that ensures no documents will be lost or misplaced [Dept. of Agriculture/Land Grant Extension/CFDA #10.205].	NMC	Unresolved (Outstanding since FY 1995 Single Audit)	The following procedures will be instituted: <ol style="list-style-type: none"> <li data-bbox="976 936 1414 1087">1. Cursory review shall be made by the Business Office (A/P Section or designee) to ensure full compliance with documentation requirements before checks are cut.</li> <li data-bbox="976 1125 1414 1367">2. Final review shall be made by the Comptroller to ensure that supporting documentations are secured prior to actual disbursement of check, and his initials affixed on the check as evidence that this final verification requirement was performed.</li> </ol>

**5. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 1995  
By: Burger & Comer, P.C.**

Date(s) of followup letter(s) sent :

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Programs</i>			
1. We recommend that every effort be made to file supporting documentation so that documents are not misplaced or misfiled [Title III-Strengthening Institutions/CFDA #84.031A; Land Grant Research/CFDA #10.205; Student Support Services/CFDA #84.042A; Upward Bound/CFDA #84.047A; Adult Basic Education/CFDA #84.002].	NMC	Unresolved	Auditee concurs with the finding. In order to expedite the release of the audit which is well overdue, the College concurs with the finding. However, since the auditor is still working on the 1997 single audit, we will submit the missing documents to the auditor when located and ask that he inform the cognizant agency when the information is sufficient to eliminate the questioned cost.
<i>Federal Financial Reports</i>			
2. We recommend that College personnel file Federal Financial Reports in a timely manner and that copies of these report be maintained for audit purposes [U.S. Department of Agriculture/Land Grant Extension/CFDA #10.205].	NMC	Unresolved	The College concurs with the finding. The College has hired new personnel and trained existing personnel so that these late filings will not recur.

**6. Annual Financial & Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 1994  
By: Deloitte & Touche**

Date(s) of followup letter(s) sent :

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Programs</i>			
1. We recommend the College review its method of retaining and filing source documents and upgrade the relevant policies and procedures as necessary [U.S. Department of Education/Adult Basic Education/CFDA #84.002; U.S. Department of Education/Title III/CFDA #84.031A; U.S. Department of Education/Special Services for Disadvantaged Students/CFDA #84.042A; U.S. Department of Health and Human Services/Administration for Native Americans/CFDA #13.612].	NMC	Unresolved	The College disagrees with the finding relating to Administration for Native Americans finding on Cheque #3713 \$5,600 as the auditor was presented with copies of the properly prepared and signed purchase order and Voucher cheque also for \$5,600. Since the purchase was a prepayment it is not unusual for the transaction to be documented in this manner, the invoice from the vendor may not be received until much later. The College considers the documentation to be adequate. The College concurs with the other findings and that we were able to locate the pertinent documents. However, it is felt this is a problem with filing and not management review. The College has begun review of all policies and procedure with the intent to improve all areas of document review and filing.
2. We recommend the College regularly review expenditure levels to ensure amounts do not exceed or fall short of grant limitations [U.S. Department of Education/Adult Basic Education/CFDA #84.002].	NMC	Unresolved (Outstanding since FY 1993 Single Audit)	The College concurs with the dollar amounts in the finding, however, disagrees that the items represent questioned costs. The grant year for these programs end on June 30 and the forms 269 filed for the years 6/30/93 and 6/30/94 indicate the College is in compliance. The expenditures for institutionalized adult education for the two years totaled \$23,290 which is in excess of the 10% minimum.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
3. We recommend that the College comply with Federal requirements concerning program income [U.S. Department of Education/Special Services for Disadvantaged Students/CFDA #84.042A].	NMC	Unresolved (Outstanding since FY 1992 Single Audit)	The College draws funds against the grant as needed, and at any given time, the revenues drawn and expenditure may not be indicative of the expenditures and revenue for the total grant period. The general ledger balances at September 30 may not be the measurement of compliance. Measurements of performance needs to be applied to the grant as a whole. The auditor has not used that approach.
4. We recommend the College limit services provided under the Administration for Native Americans grant to eligible participants [U.S. Department of Health and Human Services/Administration for Native Americans/CFDA #13.612].	NMC	Unresolved (Outstanding since FY 1992 Single Audit)	The College concurs with the finding. The new Fund accounting system provides for recording of income and expenditures for each fund, program or grant. User fees for the Learning Skills Center will be properly identified.
5. We recommend that the College review federal guidelines for compensation of personal services and implement a system of monitoring workloads or personal activity reports [U.S. Department of Education/Adult Basic Education/CFDA #84.002].	NMC	Unresolved (Outstanding since FY 1993 Single Audit)	The College concurs with the finding. The staff has been instructed to be more careful in the selection of beneficiaries for the program. The review process is also being improved as well as ongoing staff training.
5. We recommend that the College review federal guidelines for compensation of personal services and implement a system of monitoring workloads or personal activity reports [U.S. Department of Education/Adult Basic Education/CFDA #84.002].	NMC	Unresolved (Outstanding since FY 1993 Single Audit)	The College agrees that the payroll system did not provide for the allocation of this person whose work was on two grants. It cannot be presumed that an incorrect ledger account would result in an incorrect report filed with the grantor agency, as stated in the audit report, the general ledger accounts and reports filed differ. In this period of time the grant administrator maintained a separate set of records to help determine the correct costs to be charged to the grant. <b>The College has instituted a payroll reporting system to keep track of the activities of employees and frequent review is made to see that costs are being charged to the proper program.</b> Transfers from program to program are documented by personnel action forms initiated by supervisory personnel.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>6. We recommend that the College review all expenditures and determine if allowable according to the conditions of the grant [U.S. Department of Agriculture/Land Grant Programs/CFDA #10.205, 10.558].</p>	NMC	Unresolved	<p>The College concurs with the finding. The College has installed a new Fund accounting program which will monitor daily balances in bank accounts. The staff has also being trained to monitor the balance and receipt of drawdowns which has been a major concern in the monitoring bank balances. The process will continue until significant and insignificant errors such as these are eliminated.</p>
<p>7. We recommend that the College comply with provisions of grant awards and report expenditures for the applicable year [U.S. Department of Agriculture/Land Grant Programs/CFDA #10.205, 10.558].</p>	NMC	Unresolved	<p>The College concurs with the finding that some time retroactive compensation is paid. Efforts are made to avoid this but it does happen. The audit finding does not indicate what portion of \$12,298 applies to a prior year and may be questioned. In addition, most of our grants continue for more than one year, and the amounts are subject to correction and amendment. The Human Resources staff and all others in the employee compensation process have been instructed to take special care to avoid retroactive compensation. Training of employees in this area continues.</p>
<p>8. We recommend that the College follow prescribed documentation procedures evidencing that the student is a U.S. citizen or national, a U.S. permanent resident of the Commonwealth of the Northern Mariana Islands, Guam, the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau [U.S. Department of Education/Student Financial Assistance/CFDA #84.007, 84.033, 84.063].</p>	NMC	Unresolved	<p>The College concurs with the finding. However, since nearly all of NMC's students come from eligible areas, the lack of documentation doesn't mean they are not eligible. It is sometimes very difficult for students from remote islands to find all the needed documents. NMC has installed software to assist in the Financial Aid process and the personnel have attended training sessions to improve their effectiveness. This process will continue and will improve ours Financial Aid system.</p>

**Cash Management**

<p>9. We recommend that the College limit advances to subrecipients to the amount of cash needed for immediate disbursement [Upward Bound/CFDA</p>	NMC	Unresolved	<p>The College concurs with the finding. The new Comptroller has advised the program staff that they must reduce advance payment to no more than one</p>
--	-----	------------	--

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
#84.047A].			month, the acceptable period for the grant and we are working with Samoa and Palau to help them submit timely reports.
<b>Federal Financial Reports</b>			
10. We recommend the College install a system to ensure reporting deadlines are met [Adult Basic Education/CFDA #84.002].	NMC	Unresolved (Outstanding since FY 1992 Single Audit)	The College concurs with the finding. Late filing of report has been a chronic problem of the College for many years, and we are pleased our new Fund accounting Program and new personnel have allowed us to bring the filing of reports current. Reporting for all periods subsequent to 6/30/96 will be on a timely basis.
11. We recommend that the College implement a system whereby a receivable/payable account records all cash received from the grantor agency and records all payments made. This account can be reconciled on a monthly basis [All Federal Awards].	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	The College concurs with the finding. The College has installed the Fund accounting system that will account for fund receipts and expenditures on a detail basis so that each grant is accounted for. In addition, a Federal accountant has been added and one of the primary responsibilities will be to reconcile the outstanding due to and due from balances.
12. We recommend federal cash transaction reports be submitted in a timely manner and copies be retained for audit examination [Land Grant Programs/CFDA #10.205, 10.558].	NMC	Unresolved (Outstanding since FY 1992 Single Audit)	The College concurs with the finding. The College has taken steps with new software, personnel and training to see that financial reports are filed timely subsequently to 6/30/95.
13. We recommend Financial Status Reports be submitted in a timely manner and copies be retained for audit examination [Land Grant Programs/CFDA #10.205, 10.558].	NMC	Unresolved (Outstanding since FY 1992 Single Audit)	The College concurs with the finding. The College has taken steps with new software, personnel and training to see that financial reports are filed timely subsequent to 6/30/95.
<b>Eligibility</b>			
14. We recommend that procedures be followed whereby the Business Office does not refund amounts to students until the final grant award amount has been determined, after the zero refund period [Student Financial Assistance/CFDA #84.007, 84.033, 84.063].	NMC	Unresolved	The College concurs with the finding. The College has installed Fund accounting software which includes a module to track student accounts receivable. In addition, personnel have been trained to make refunds at the appropriate time to avoid possible overpayments. Personnel have been sent to training sessions to be more



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			conversant with the requirements of the grant.
<b>Reporting</b>			
15. We recommend that the College obtain an agreement with the University of Hawaii to begin correctly accounting for funds it receives in a subgrantee capacity [Land Grant Programs/CFDA #10.205, 10.558].	NMC	Unresolved (Outstanding since FY 1992 Single Audit)	The College concurs with the finding. The College has contacted the University of Hawaii and been informed that we are considered to be a sub-grantee. The accounting for ADAP funds is now handled with accountability as a sub-grantee.
16. We recommend that all federal reports be properly completed and submitted within a timely manner [Land Grant Programs/CFDA #10.205, 10.558].	NMC	Unresolved	The College concurs with the finding. The College has taken steps with new software, personnel and training to see that financial reports are filed timely subsequent to 6/30/95.
<b>Cost Allocation</b>			
17. We recommend that the College develop a system of personnel activity reports to allocate time charges to specific grant awards in accordance with OMB Circular A-21 [All Federal Awards].	NMC	Unresolved (Outstanding since FY 1989 Single Audit)	The College concurs with the finding. The College is using a payroll activity report and coding of employees in order to assure that employees are charged to the appropriate grant and account number. In addition, the College is to acquire a new payroll program to be integrated with the General Ledger system for employee accounting. The review of employee's status is done at least quarterly to ascertain if they are being charged correctly. New payroll program to be implemented December 1996.
<b>Payroll</b>			
18. We recommend that the College review federal guidelines for compensation of personnel services and implement a system of monitoring workloads or personnel activity reports [Land Grant Programs/CFDA #10.205, 10.558].	NMC	Unresolved	The College concurs with the finding. The College is using a payroll activity report and coding of employees in order to assure that employees are charged to the appropriate grant and account number. In addition, the College is to acquire a new payroll program to be integrated with the General Ledger system for employee accounting. The review of employee's status is done at least quarterly to

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Property and Equipment</i>			ascertain if they are being charged correctly. New payroll program to be implemented December 1996.
19. We recommend the College upgrade their property management system to comply with federal requirements [All Federal Awards].	NMC	Unresolved (Outstanding since FY 1991 Single Audit)	The College concurs with the finding. The installation of the Fund accounting system includes the preparation of property schedules and inventory of all the College property. Individual inventories of particular types of property ( <i>i.e.</i> , computers, vehicles) have already been taken and the completion of the total property review is scheduled as the final step in the improvement process. Completion is set for December 1996

# Northern Mariana Islands Government Health and Life Insurance Trust Fund

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 2001  
By: J. Scott Magliari & Company**

Date(s) of followup letter(s) sent : 2/12/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. GHLITF should establish and implement internal control policies and procedures to ensure that subsidiary ledgers are reconciled to the general ledger control account balances on a monthly basis.	NMI-GHLITF	Unresolved	GHLITF stated that it will ensure monthly reconciliation of the subsidiary ledgers to the general ledger on a monthly basis.
2. GHLITF should establish policies and procedures to ensure that a physical inventory of equipment is conducted at least once every 2 years. The Fund should also ensure that all property and equipment are tagged. The physical count should be reconciled to the detailed subsidiary record and general ledger. GHLITF should also develop and implement a Capitalization Policy to ensure that fixed assets are properly capitalized and accounted for.	NMI-GHLITF	Unresolved	GHLITF stated that enhanced effort will be made to ensure that a physical inventory of equipment will be conducted at least once every two years. The Fund will also ensure all property and equipment will be tagged and that the physical count reconciles to the detailed subsidiary record and general ledger. In addition, a capitalization policy will be developed and implemented to ensure that fixed assets are properly capitalized and accounted for.

## Northern Mariana Islands Retirement Fund

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 2001  
By: J. Scott Magliari & Company**

Date(s) of followup letter(s) sent : 2/18/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. NMIRF should establish and implement internal control policies and procedures to ensure that subsidiary ledgers are reconciled to the general ledger control account balances on a monthly basis.	NMIRF	Unresolved	NMIRF stated that enhanced effort will be made to ensure that subsidiary ledgers are reconciled to the general ledger on a monthly basis.
2. NMIRF should establish policies and procedures to ensure that a physical inventory of equipment is conducted at least once every two years. NMIRF should also ensure that all property and equipment are tagged. The physical count should be reconciled to the detailed subsidiary record and general ledger. NMIRF should also develop and implement a Capitalization Policy to ensure that fixed assets are properly capitalized and accounted for.	NMIRF	Unresolved	NMIRF stated that enhanced effort will be made to ensure that a physical inventory of equipment will be conducted at least once every two years, all property and equipment will be tagged and that the physical count reconciles to the detailed subsidiary record and general ledger, and a capitalization policy will be developed and implemented to ensure that fixed assets are properly capitalized and accounted for.

# Marianas Public Lands Authority

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 2001  
By: Deloitte Touche & Tohmatsu**

Date(s) of followup letter(s) sent : 2/14/03, 3/13/03 (Independent Auditor)

Date(s) of response letter(s) received : 3/10/03

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. OPL should implement policies and procedures for proper maintenance and safekeeping of contract files.	OPL (currently Marianas Public Lands Authority)	Unresolved	<p>MPLA does not concur with the auditor's findings. At the time the auditor requested to see contract no. LEXRW96-1S, that particular file was checked out to their Land Use Section, whose responsibility includes monitoring public land projects. We later obtained the file back and provided it to the auditor, who received it.</p> <p>It is very important to note that MPLA has an effective system of controlling its files. Our system in implementation tracks files checked out and used by our various divisions and sections. Normally, no file is released to just any person who requests to see it; files are only released to division chiefs and sections managers. Prior to releasing any files, the requesting user's name, date, and file are logged out, and when returned, it is logged-in with the same information notes as when logged-out. This system has proven effective for our purposes and each division in our office implements it.</p> <p>Auditor's Response: Contract LEXRW 96-1S has not been made available for our review.</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
2. OPL should record transactions in the proper period, and encumbrances should be recorded upon execution of a contract.	OPL (currently Marianas Public Lands Authority)	Unresolved	<p>We find it necessary to disagree with auditor's recommendation while generally agreeing with the audit findings in Finding No. 2001-2. However, we believe the manner in which MPLA carries out its projects and how those project obligations are booked deserves further explanation. At the outset, when the Board of Directors of the Marianas Public Lands Authority approves a public land project with its estimated budget, it is recorded as one project. A project may consist of various components, meaning it may include ground surveys, environmental studies, and construction of roadways, erosion control systems, and so forth. Usually, a project would proceed first with the necessary ground or perimeter survey, and when that is completed, environmental is next. Once local and federal regulatory agencies approve and issue the requisite developmental permits, road construction, including storm run-off systems, begin. Throughout a project development and construction, expenditures are separated for each component of a project is done separately and one after another. This is the reason why MPLA records contract liabilities (or encumbrances) the way the auditor found during the audit activity.</p> <p>While we may agree that it may be the correct way of recording encumbrances as indicated in the audit recommendation, we believe a MPLA public land project oftentimes take a much longer period to complete than any other government contracted project. MPLA project is done in phases because that is the most practicable approach of doing it.</p> <p>It is therefore appropriate that necessary reclassification of accounts be made to reflect that accumulated</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>3. OPL should review receivable balances and forward overdue accounts for collection in a timely manner. OPL should also consider a policy of not accruing late fees on terminated or non-moving account balances for external reporting purposes while doing so, if deemed necessary, for internal reporting purposes.</p>	<p>OPL (currently Marianas Public Lands Authority)</p>	<p>Unresolved (Outstanding since FY 1998 Single Audit of the CNMI)</p>	<p>funds classified as unreserved undesignated be reclassified as unreserved designated for future projects. To support the required adjustment is the Board's approval to reaffirm the projects together with the updated 5-year plan that has been adopted by the Board in its meeting held on June 10, 2002.</p> <p>We agree with the audit findings, and note at this point that MPLA has policies (adopted by the Board of Directors of MPLA on January 22, 2002) that provide guidelines in handling those types of accounts indicated in Finding No. 2001-3. Those policies were implemented with the specific intent of enhancing collections and enforcement of lease or permit provisions by streamlining efforts between the Accounting and Real Estate Divisions. With those policies now in effect, timely notices and actions are easily issued and monitored. Non-responding lessees and permittees are then timely referred to MPLA's legal counsel for a last attempt in reaching a mutual settlement aimed at closing a delinquent account with full payment made (either lump or on a payment plan). Failure of legal counsel's attempt to get a settlement because lessee or permittee is non-responsive triggers the filing of collection/enforcement complaint in the court.</p> <p>With respect to the auditor's recommendation on terminated or non-moving accounts, MPLA has been weighing various options in tackling the specific problem identified in the audit. We agree that non-moving accounts ought not to continue accruing interests or late fees and as recommended, we will seek approval of MPLA Board of Directors to operate a separate book only for these types of accounts (with the auditor's recommendation in mind).</p>

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Current/Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
4. OPL should deposit cash receipts to the bank in a timely manner.	OPL (currently Marianas Public Lands Authority)	Unresolved	We concur with the audit finding and recommendation. Accounting Division deposits its collections in a timely manner; however, it was only during these periods, wherein the collections were not deposited the following working day because Accounting Division was understaffed. In addition, our other divisions required use of all our government vehicles, which made it impossible for the deposits to be made. Our insurance policy requires that only government vehicles could be used to transport deposits to the bank. No coverage for loss if non-governmental vehicle is used.
5. OPL should obtain a legal counsel opinion on the disposition of the funds collected from Managaha Island landing fees.	OPL (currently Marianas Public Lands Authority)	Unresolved (Outstanding since FY 2000 Single Audit of the CNMI)	We concur with the audit finding and recommendation. The legal counsel of MPLA is currently reviewing the constitutionality of Public Law 11-64.



# Public School System

**I. Annual Financial and Compliance Audit  
in Accordance with OMB-A-133  
Fiscal Year Ended September 30, 2000  
By J. Scott Magliari & Company**

Date(s) of followup letter(s) sent : 2/18/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Fixed Asset</i>			
1. PSS should conduct physical inventories at all locations to identify items that have been previously recorded as expenditures. PSS should apply its capitalization policy in determining inclusions of equipment in the fixed asset detailed subsidiary ledger. Physical count should be agreed to the detailed subsidiary record and the necessary adjustments made to adjust to actual.	PSS	Unresolved (Outstanding since FY1996 Single Audit)	PSS is working to establish a fixed asset account group.
<i>Beginning Balance</i>			
2. PSS should post the audited balances in their books of accounts at the end of the fiscal year 2000 audit.	PSS	Unresolved (Outstanding since FY1997 Single Audit)	PSS stated that all audit adjustments will be posted in the books to agree with the 2000 ending audited balances.
<i>Travel Advances</i>			
3. PSS should strictly enforce its established policies and procedures in collecting unliquidated travel advances.	PSS	Unresolved (Outstanding since FY1998 Single Audit)	PSS concurs. PSS has made tremendous efforts to inform employees of the travel advance policies. A new travel policy was issued regarding strict enforcement of the travel liquidation, which indicates that 10% of the total travel advances will be withheld and will be paid out only upon liquidation.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<b><i>Payroll Advances</i></b>			
4. PSS should establish written internal control policies and procedures over payroll advances.	PSS	Unresolved (Outstanding since FY1998 Single Audit)	PSS stated that a collection letter will be made to collect these payroll advances.
<b><i>Advances to Vendors</i></b>			
5. PSS should establish internal control policies and procedures over procurement and disbursements. An order log should be maintained and reviewed periodically to keep track of undelivered orders.	PSS	Unresolved (Outstanding since FY1998 Single Audit)	PSS stated that enhanced efforts will be made so that goods received are evidenced by signed receiving reports. An order logbook is to be maintained either at accounting or procurement office to keep track and follow-up on prepaid orders. Additionally, the accounting office will notify, submit or forward a copy to procurement of the total amount prepaid.
6. PSS should develop a written set of policies, procedures and internal controls that delineates a mechanism for tracking prepaid orders.	PSS	Unresolved	PSS stated that enhanced effort will be made to ensure that an internal control exists in the system to track prepaid orders and eventually avoid underpayment or overpayment to vendors.
7. PSS should strictly enforce its established regulations in competitive selection of suppliers or contractors.	PSS	Unresolved	PSS agrees and ensures that all special terms or conditions will be strictly applied and implemented.
<b><i>Financial Statements</i></b>			
8. PSS should consider updating or modifying the design of their current financial management system based on the needs of the organization. This would help the employees on their assigned tasks and generate the desired output for the end users.	PSS	Unresolved	PSS stated that enhanced effort to prepare journal entries at the end of each fiscal year will be made. The fund balance will be adjusted by the net amount of total revenues less actual expenditures as shown in the balance sheet.
<b><i>Activities Allowed or Unallowed</i></b>			
9. PSS as the State Educational Agency should enforce existing internal policies and procedures and comply with the requirements of the State Plan	PSS	Unresolved	PSS stated that enhanced effort is to be made to monitor the activities of the parents receiving the training in compliance with the requirements of

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
[Consolidated Grants to Insular Areas/CFDA #84.922A].			the State Plan.
<b>Eligibility</b>			
10. PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Nutrition Assistance Grant Program [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY1995 Single Audit)	PSS stated that enhanced effort will be made to monitor, review, and update individual files to comply with the federal requirements will be made.
11. PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Childcare Program [Childcare and Development Block Grant/CFDA #93.575].	PSS	Unresolved (Outstanding since FY1997 Single Audit)	PSS stated that enhanced effort will be made to review, monitor and update the files of each recipient on a quarterly or annual basis in compliance with the administrative requirements indicated.
<b>Procurement, Suspension &amp; Debarment</b>			
12. PSS should strictly enforce the established internal control policies and procedures in procuring goods or services to comply with the statute laws and federal regulations [Special Education Program/CFDA #84.027].	PSS	Unresolved	PSS stated that enhanced effort will be made to follow procedures set forth on the unauthorized procurement of goods and services. An approved ratification is to be attached for all the “after the fact” procured goods and services.
13. PSS should execute a contract on actual purchases of government activities for services with deliveries or performance to be scheduled in compliance with local laws and federal requirements [Headstart Program/CFDA #93.600].	PSS	Unresolved	PSS stated that effective fiscal year 2003, an approved ratification letter is to be attached for all “after the fact” procured goods and services.
<b>Reporting</b>			
14. PSS should comply with 34 CFR 76.700 and implement a system to ensure that all their responsibilities as both a State Educational Agency (SEA) and Local Educational Agency (LEA) are performed [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved	PSS stated that enhanced effort will be made to ensure compliance with all federal requirements and that all responsibilities of PSS as both the SEA and LEA are performed.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
15. PSS should comply with the schedule of federal reporting deadlines [Nutrition Assistance Grant/CFDA #10.055].	PSS	Unresolved	PSS stated that enhanced effort will be made to ensure that PSS will adhere to the schedule of federal reporting requirements.
16. PSS should contract out the annual Single Audit prior to year-end [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY1997 Single Audit)	PSS stated that they will be able to be current in the annual agency audit through the multi-year Request for Proposal for the single Audit.
17. PSS should comply with the reporting requirements of the Childcare funds [Childcare and Development Block Grant/CFDA #93.575].	PSS	Unresolved	PSS stated that the reporting requirements of the Childcare & Development Block Grant will be complied to.
<b>Special Tests and Provisions</b>			
18. PSS should assign one Federal Program Officer in monitoring and providing assistance on the institutions that carry out the programs under this grant and evaluate the effectiveness of these programs in meeting the purposes and objectives of this grant [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved	PSS stated that enhanced effort will be made to monitor the programs being carried out under this grant and evaluate the effectiveness of these programs in meeting the purposes and objectives of this grant, however, no individual was designated to be responsible for addressing the recommendation.
19. PSS should comply with the State Plan to ensure that all federal requirements are met [Special Education Program/CFDA #84.027].	PSS	Unresolved	PSS stated that the Special Education Program, with the technical assistance of the University of Guam affiliated program will review the service plan requirements and develop procedures to ensure all service plan requirements are implemented. The timeline will end on October 2002.
20. PSS should ensure that all requirements on the Federal regulations and activities or services to be performed as stated on the State Plan are all complied with [Special Education Program/CFDA #84.027].	PSS	Unresolved	PSS stated that enhanced effort will be made to ensure that private school children with disabilities will be included on the annual child count.
21. PSS should ensure that all requirements as stated in the State Plan are complied with [Special Education	PSS	Unresolved	PSS stated that the CNMI Eligibility Document submitted to OSEP included the Comprehensive System of Personnel

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Program/CFDA #84.027].			Development (CSPD) plan. The plan was reviewed by U.S. Office of Special Education (OSEP) and further action is necessary to clarify several areas of the CSPD plan. The clarification will be made and the implementation of the plan will be on August 2002.
22. The State Educational Agency should enforce existing internal policies and procedures and comply with the requirements of the State Plan [Special Education Program/CFDA #84.027].	PSS	Unresolved (Outstanding since FY1998 Single Audit)	PSS stated that sites visits will be conducted to review IEP's on a cyclical basis. The size and number of students per school will be considered to determine the review schedule. Two schools per month will be reviewed and it would be the data clerk who will determine the selection of the schools. Reviews are scheduled to begin in September 2002 through May 2003.
23. The Special Education Program should comply with the requirements of the CNMI State Plan and federal regulations by signing MOU's with appropriate agencies and conduct annual reviews as stipulated on their agreements [Special Education Program/CFDA #84.027].	PSS	Unresolved (Outstanding since FY1998 Single Audit)	PSS stated that the CNMI Eligibility Document (formerly referred to as the State Plan) was submitted to the U.S. Office of Special Education in June 2002 for review and approval. All required interagency agreements as stipulated in the Eligibility Document and Procedure Manual will be developed and implemented.
24. PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Head Start Program. PSS should also establish stringent policies and controls to ensure that all children in the Head Start Program receive timely and complete medical and dental evaluations as required by 45 CFR §1304.3-3 and the CNMI Head Start General Health Services Written Plan, FY 2000 - 01 [Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY1995 Single Audit)	PSS stated that enhanced effort to monitor all necessary documentation of each child enrolled within the Head Start Program will be made. A memorandum dated April 1, 2002 was issued to program managers enforcing administrative compliance, participants receiving this program are to be monitored, reviewed and updated annually.
25. PSS should ensure that each eligible participants of the Head Start Program have all the services they are entitled to receive [Head Start Program/CFDA	PSS	Unresolved (Outstanding since FY1998 Single Audit)	PSS stated that enhanced effort to monitor individual student files, thus, a checklist is to be maintained for each student to comply with the federal

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
#93.575].			requirements under the program.
<b>Equipment and Real Property Management</b>			
26. PSS should establish appropriate accounting policies and procedures for fixed assets [All Federal Grants].	PSS	Unresolved (Outstanding since FY1989 Single Audit)	PSS is now working to establish a general fixed asset account group.
<b>2. Annual Financial &amp; Compliance Audit in Accordance with OMB-A-I33 Fiscal Year Ended September 30, 1999 By J. Scott Magliari &amp; Company</b>			
Date(s) of followup letter(s) sent	:	3/11/02, 8/12/02, 9/18/02 (Independent Auditor re: PSS response), 9/30/02 (PSS re: Independent Auditor response)	
Date(s) of response letter(s) received	:	5/24/02, 9/23/02 (Independent Auditor)	
Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<b>Fixed Asset</b>			
1. PSS should conduct physical inventories at all locations to identify items that have been previously recorded as expenditures. PSS should apply its capitalization policy in determining inclusions of equipment in the fixed asset detailed subsidiary ledger. Physical count should be agreed to the detailed subsidiary record and the necessary adjustments made to adjust to actual.	PSS	Unresolved (Outstanding since FY1989 Single Audit)	Enhance effort will be made to establish a general fixed asset account group.
<b>Beginning Balance</b>			
2. PSS should post roll-forward balances at the beginning of each fiscal year.	PSS	Unresolved	All audit adjustments will be posted in the books to agree with the 2000 ending

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			audited balances.
<b>Payroll Liabilities</b>			
3. PSS should ensure the deficiency is corrected and the software is properly and effectively utilized and that the supporting details are reconciled to the general ledger on a regular basis.	PSS	Resolved	The deficiency was subsequently corrected during the fiscal year 2000 such that, the supporting details are reconciled to the general ledger.
<b>Purchases/Disbursements</b>			
4. PSS should adhere to established policies and procedures to ensure that all employment contracts are complete and properly accounted for.	PSS	Resolved	PSS was able to provide the Notification of Personnel Action and employment contract of the payroll related disbursements. The pay rates of the identified employees agree with the employment contract.
5. PSS should adhere to prescribed policies and procedures to ensure that employment contracts are complete and kept on file.	PSS	Resolved	PSS was able to provide the Notification of Personnel Action and employment contract of the payroll related disbursements. The pay rates of the identified employees agree with the employment contract.
<b>Payroll Advances</b>			
6. PSS should establish written internal control policies and procedures over payroll advances.	PSS	Unresolved	A collection letter is to be made to collect these advances.
<b>Advances to Vendors</b>			
7. PSS should establish internal control policies and procedures over procurement and disbursements. An order log should be maintained and reviewed periodically to follow-up on undelivered orders.	PSS	Unresolved	Enhanced effort will be made to ensure that all goods are received as evidenced by a signed receiving report. An order logbook is to be maintained either at accounting and procurement office to follow-up on prepaid orders. Additionally, the accounting office will notify, submit/forward a copy of the total amount prepaid. A review of the outstanding advances is now being made before a request for another advance of the same vendor is granted.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Travel Advances</i>			
8. Established procedures should be adhered to. Travel advances should be reconciled to the general ledger monthly.	PSS	Resolved	This was subsequently corrected in the fiscal year 2000 audit such that, the balance from the general ledger reconciles with the subsidiary ledger balance.
9. PSS should strictly enforce its established policies and procedures in collecting unliquidated travel advances.	PSS	Unresolved	PSS management has made tremendous efforts to inform employees of the travel advance policies. Compliance with the policies is the responsibility of the employee. A new travel policy dated 8/1/02 was issued regarding strict enforcement of the travel liquidation. The policy indicates that 10% of the total travel advances will be withheld and will be paid out to the traveler only upon liquidation, otherwise, the 10% will be forfeited.
<i>Vouchers Payable</i>			
10. Established procedures should be adhered to. Vouchers payable should be reconciled to the general ledger monthly.	PSS	Resolved	Enhanced effort was already made to perform reconciliation between subsidiary ledger and the general ledger on a monthly basis. This was subsequently corrected, as there was no finding identified with the same condition in the fiscal year 2000 audit.
<i>Accounts Receivable</i>			
11. Established procedures should be adhered to. Accounts receivable-CNMI should be reconciled to the general ledger monthly.	PSS	Resolved	The deficiency was subsequently corrected such that the Accounts receivable-CNMI reconciles with the general ledger. There was no finding identified with the same condition in the fiscal year 2000 audit.
<i>Encumbrances</i>			
12. I recommend that management review the items in the encumbrance ledger to ensure that the encumbrances are properly recorded and valid.	PSS	Resolved	PSS was able to provide the related documents of these encumbrances to ensure that they were properly recorded and valid.



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Federal Programs</i>			
13. Recommendations include adherence to established policies and procedures, increased administrative oversight, the use of standardized forms, following the State Plan and applicable federal regulations, developing a checklist to be included in each student file, and following a set organizational scheme for the documents in the student files to facilitate easy retrieval [Special Education/CFDA #84.027].	PSS	Unresolved	With the implementation of the school visits to review IEP's, the individual students files will be complete and organized. The central office files will be reviewed, completed and organized in an efficient manner. A checklist for the content of each file will be developed and used to monitor and assure that the files are complete and organized. School principals will be given a memo describing the condition of the student files and corrective action measure if needed to correct the deficiencies.
14. The SEA should enforce existing internal policies and procedures and comply with the requirements of the State Plan [Special Education/CFDA #84.027].	PSS	Unresolved	Site visits will be conducted to review the IEP's on a cyclical basis. Two schools per month will be reviewed and it will be the data clerk who will determine the selection of the schools. Consideration as to the size and number of students per school will determine the review schedule. Reviews are scheduled to begin in September 2002 through May 2003.
15. The Special Education Program should comply with the requirements of the CNMI State Plan and federal regulations by signing MOU's with appropriate agencies [Special Education/CFDA #84.027].	PSS	Unresolved	The CNMI Eligibility Document (formerly referred to as the State Plan) was submitted to the US Office of Special Education in June 2002 for review and approval. All required interagency agreements as stipulated in the Eligibility Document and Procedure Manual will be developed and implemented.
16. The Special Education Program and the Special Education State Advisory Panel should comply with the requirements set forth in the CNMI State Plan and federal regulations [Special Education/CFDA #84.027].	PSS	Unresolved	Enhanced effort will be made to ensure PSS complies with the requirements set forth in the CNMI State and Federal regulations.
17. PSS should collaborate with the Department of Community and Cultural Affairs (DCCA) in developing day care licensing regulations for the CNMI, and	PSS	Resolved	The Special Education program of PSS ensured that all providers are licensed before the Business Office issues a purchase order for payment.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>there should be a signed Memorandum of Understanding between the two agencies. Additionally, PSS should develop and enforce an internal monitoring program that encompasses periodic visits to licensed day care facilities that are providing childcare to children whose parents are receiving childcare certificates [Childcare &amp; Development Block Grant/CFDA #93.575].</p>			
<p>18. PSS should establish stringent policies and controls to ensure that all children in the Head Start Program receive timely and complete medical and dental evaluations as required by 45 CFR §1304.3-3 and the CNMI Head Start General Health Services Written Plan, FY 1998-99. Furthermore, PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Head Start Program [Head Start Program/CFDA #93.600].</p>	PSS	Unresolved	<p>Enhanced effort to monitor all necessary documentation of each child enrolled within the Headstart program. A memorandum dated April 2002 was issued to program managers enforcing administrative compliance, participants receiving this program are to be monitored, reviewed and updated annually.</p>
<p>19. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Consolidated Grant to Insular Areas/CFDA #84.998].</p>	PSS	Resolved	<p>PSS provided the supporting documents of the identified disbursements during the fiscal year 2000 audit.</p>
<p>20. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Special</p>	PSS	Resolved	<p>PSS provided the documents supporting the identified disbursement during the fiscal year 2000 audit and noted no exception on the examination of th documents.</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Education/CFDA #84.027].			
21. PSS should develop written policies, procedures, and internal controls that delineate a mechanism for tracking and following-up incomplete prepaid orders and professional services retainers. Management oversight of prepaid purchase orders and professional services retainers should be diligent and strict accountability maintained [Special Education/CFDA #84.027].	PSS	Resolved	PSS provided the documents supporting the identified disbursement during the fiscal year 2000 audit and noted no exceptions on the examination of the documents.
22. PSS's travel policy should be strictly enforced and all Travel Advances that are not liquidated within 15 days should be investigated immediately [Head Start Program/CFDA #93.600].	PSS	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response on pages 113 and 114.
23. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval. Management should perform the periodic internal review to ensure the system is operating as intended [Head Start Program/CFDA #93.600].	PSS	Resolved	PSS provided the supporting documents of each of the identified disbursements during the fiscal year 2000 audit and noted no exception on the examination of the documents.
24. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented [Childcare Development Block Grant/CFDA #93.575].	PSS	Resolved	PSS provided the supporting documents of each of the identified disbursements during the fiscal year 2000 audit and noted no exception on the examination of the documents.

### ***Federal Financial Reports***

25. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly	PSS	Resolved	PSS provided the supporting documents of each of the identified disbursements during the fiscal year 2000 audit and noted no exception on the examination
---	-----	----------	---

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Nutrition Assistance Grant/CFDA #10.055].			of the documents.
<b>Reporting</b>			
26. I recommend PSS to reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Unresolved (Outstanding since FY1998 Single Audit)	For the fiscal year 2000, PSS has taken corrective actions to reconcile their records for all amounts reported to the grantor agency. The cumulative expenditures reported per SF-269 in 2000 ties up with the amount in the general ledger.
27. PSS should prepare and retain all required federal financial reports [Handicapped State Grant/CFDA #84.021].	PSS	Unresolved (Outstanding since FY1996 Single Audit)	PSS stated that this recommendation is being corrected in the Fiscal Year 2000 Single Audit.
28. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY1995 Single Audit)	PSS stated that this recommendation is being corrected in the Fiscal Year 2000 Single Audit.
<b>Federal Financial Reports</b>			
29. PSS should reconcile records for all amounts reported to the grantor agency [Handicapped State Grant/CFDA #84.021].	PSS	Unresolved	PSS stated that efforts are being made to ensure that the general ledger reports with expenditure amounts are attached to the draft financial report. This was corrected in the Fiscal Year 2000 Single Audit.
<b>Reporting</b>			
30. <b>PSS should adhere to reporting deadlines. Additionally, transfers between organizations within the same grant should be minimized and when considered appropriate, be performed in</b>	PSS	Unresolved (Outstanding since FY1995 Single Audit)	PSS stated that enhanced efforts are being made to submit the financial report twice a year in a timely manner. Reports are now prepared by the Federal Program Office with the Fiscal Office.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p><b>a timely manner [Head Start Program/CFDA #93.600].</b></p>			
<p>31. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Head Start Program/CFDA #93.600].</p>	PSS	Unresolved	<p>PSS stated that enhanced efforts are being made to ensure that the general ledger reports with expenditure amounts are attached to the draft financial report. This recommendation is being corrected in the Fiscal Year 2000 Single Audit.</p>
<p>32. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Head Start Program/CFDA #93.600].</p>	PSS	Unresolved	<p>PSS stated that enhanced efforts are being made to ensure that the general ledger reports with expenditure amounts are attached to the draft financial report. This recommendation is being complied with in Fiscal Year 2000 Single Audit.</p>
<p>33. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Childcare and Development Block Grant/CFDA #93.575].</p>	PSS	<p>Unresolved (Outstanding since FY1998 Single Audit)</p>	<p>PSS stated that enhanced efforts are being made to ensure that the general ledger reports with expenditure amounts are attached to the draft financial report. This recommendation is being complied with in Fiscal Year 2000 Single Audit.</p>

**Federal Financial Reports**

<p>34. PSS should adhere to schedule of federal reporting deadlines. The Federal Cash Transaction Report (PMS-272) is to be prepared quarterly which is due 45 days after the reporting period end. [Childcare and Development Block Grant/CFDA #93.575].</p>	PSS	Unresolved	<p>PSS stated that the submission of the report was late due to unavailable form on the internet. Enhanced efforts will be made to submit PYS-272 on or before the due date. This recommendation was complied with in Fiscal Year 2000 Single Audit.</p>
---	-----	------------	--

**Reporting**

<p>35. PSS should maintain and adhere to a schedule of reporting deadlines. The Financial Report ACF-696 is required to be submitted quarterly in lieu of SF-269 and is due within 30 days after the end of the quarter. [Childcare and Development Block Grant/CFDA #93.575].</p>	PSS	Unresolved	<p>PSS stated that enhanced efforts are being made to submit financial report in a timely manner. This recommendation was complied with in Fiscal Year 2000 Single Audit.</p>
--	-----	------------	---

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Current/Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
<b>Property and Equipment</b>			
36. PSS should establish appropriate accounting policies and procedures for fixed assets [All Federal Grants].	PSS	Unresolved (Outstanding since FY1989 Single Audit)	PSS stated that it is working on establishing a general fixed asset account group.

**3. Annual Financial & Compliance Audit in Accordance with OMB-A-133 Fiscal Year Ended September 30, 1998 By J. Scott Magliari & Company**

Date(s) of followup letter(s) sent :

Date(s) of response letter(s) received :

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Current/Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
<b>Fixed Asset</b>			
1. PSS should conduct physical inventories at all locations to identify items that have been previously recorded as expenditures. PSS should apply its capitalization policy in determining inclusions of equipment in the fixed asset detailed subsidiary ledger. The physical count should be agreed to the detailed subsidiary record and the necessary adjustments made to adjust to actual.	PSS	Unresolved (Outstanding since FY1989 Single Audit)	Enhanced effort will be made to establish a general fixed asset account group.
<b>Beginning Balance</b>			
2. PSS should post roll-forward balances at the beginning of each fiscal year.	PSS	Unresolved	All audit adjustments will be posted in the books to agree with the 2000 ending audited balances.
<b>Purchases/Disbursements</b>			
3. PSS should adhere to established policies and procedures to ensure that all timesheets are complete and properly	PSS	Unresolved	This is a document retention problem. When PSS moved in 2001, some documents were transported to the

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
accounted for prior to disbursements.			Lower Base storage and some were misplaced. Extra efforts are being made to file the supporting documents promptly. Subsequently, there was no finding identified with the same condition noted in the fiscal year 2000 audit.
4. PSS should adhere to prescribed policies and procedures to ensure that employment contracts are complete and kept on file.	PSS	Unresolved	PSS will be including an Employee File Checklist not only to assist in improving the filing system, but will also ensure that PSS is in compliance with and meeting their policies and procedures.
<i>Payroll Advances</i>			
5. PSS should establish written internal control policies and procedures over payroll advances.	PSS	Unresolved	A collection letter is to be made to collect these advances.
<i>Advances to Vendors</i>			
6. PSS should establish internal control policies and procedures over procurement and disbursements. An order log should be maintained and reviewed periodically to follow-up undelivered orders.	PSS	Unresolved	Enhanced effort will be made to ensure that all goods are received as evidenced by a signed receiving report. An order logbook is to be maintained either at accounting and procurement office to follow-up on prepaid orders. Additionally, the accounting office will notify, submit/forward a copy of the total amount prepaid. A review of the outstanding advances is now being made before a request for another advance of the same vendor is granted.
<i>Travel Advances</i>			
7. PSS should establish internal control policies and procedures in maintaining its computer records.	PSS	Unresolved	This is a document retention problem. PSS moved from Nauru Building to Capital Hill and some documents were transported to Lower Base. Enhanced effort was made to maintain subsidiary ledgers on a regular basis. We have provided the auditors the schedule of travel advances and its subsidiary ledger for the audit year 1999 and 2000.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
8. Established procedures should be adhered to. Travel advances should be reconciled to general ledger monthly.	PSS	Resolved	The deficiency was subsequently corrected such that the travel advances balance reconcile with the general ledger.
9. PSS should strictly enforce its established policies and procedures in collecting unliquidated travel advances.	PSS	Unresolved	PSS management has made tremendous efforts to inform employees of the travel advance policies. Compliance with these policies is the responsibility of the employee. A new travel policy dated 8/1/02 was issued regarding strict enforcement of the travel liquidation. The policy indicates that 10% of the total travel advances will be withheld and will be paid out to the traveler only upon liquidation, otherwise, the 10% will be forfeited.

#### *Vouchers Payable*

10. Established procedures should be adhered to. Vouchers payable should be reconciled to general ledger monthly.	PSS	Resolved	Enhanced effort was already made to perform reconciliation between subsidiary ledger and the general ledger on a monthly basis. This was subsequently corrected as there was no finding identified with the same condition in the fiscal year 2000 audit.
---	-----	----------	---

#### *Encumbrances*

11. I recommend that management review the items in the encumbrance ledger to ensure that the encumbrances are properly recorded and valid.	PSS	Resolved	PSS was able to provide the related documents on these encumbrances to ensure that they were properly recorded and valid.
---	-----	----------	---

#### *Accounts Receivable*

12. Established procedures should be adhered to. Accounts receivable-CNMI should be reconciled to general ledger monthly.	PSS	Resolved	Accounts receivable-CNMI represents the remaining balance to transfer. This is the total CNMI transfer received versus the allotted amount. Enhanced effort was made to perform reconciliation as subsequently corrected in the 2000 audit.
---	-----	----------	---

#### *Due To/Due From Accounts*



Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
13. PSS should establish internal control policies and procedures to ensure that Interfund transactions and journal entries are posted in a timely manner and account balances are reconciled on a monthly basis.	PSS	Resolved	Under JDE accounting system, interfund accounts are automated, posting interfund adjustments is discouraged by the system. This was subsequently corrected in the fiscal year 1999 audit.
<b>Federal Programs</b>			
14. We recommend that all documents be appropriately retained [Childcare and Development Block/CFDA #93.575].	PSS	Unresolved	The employee contract was not included with the Notification of Personnel Actions from a period of two years from 2/12/97 to 5/1999. An employee file checklist has been established to keep files in order and to ensure that they are complete with the proper required documents.
15. We recommend that all documents be appropriately retained [Headstart Program/CFDA #93.600].	PSS	Unresolved	Enhanced efforts will be made to ensure that files are organized and more complete. An employee file checklist is now required to be included in the employee's file to ensure that PSS is in compliance and meets the established policies and procedures.
16. Adherence to established policies and procedures, increased administrative oversight, the use of standardized forms, following the State Plan and applicable federal regulations, developing a checklist to be included in each student file, and following a set organizational scheme for the documents in the student files to facilitate easy retrieval [Special Education Program/CFDA #84.027].	PSS	Unresolved	Enhanced efforts are being made to ensure that established policies and procedures are being adhered to. This was subsequently corrected, as there was no finding identified with the same condition in the fiscal year 2000 audit.
17. The SEA should enforce existing internal policies and procedures and comply with the requirements of the State Plan [Special Education Program/CFDA #84.027].	PSS	Unresolved	As indicated on the auditee's response and corrective plan, sites visits will be conducted to review the IEP's on a cyclical basis. Two schools per month will be reviewed and it would be the data clerk who will determine the selection of the schools. Consideration as to the size and number of students per school will determine the review

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			schedule. Reviews are scheduled to begin in September 2002 through May 2003.
18. The Special Education Program should comply with the requirements of the CNMI State Plan and federal regulations by signing MOU's with appropriate agencies [Special Education Program/CFDA #84.027].	PSS	Unresolved	The CNMI Eligibility Document (formerly referred to as the State Plan) was submitted to the U.S. Office of Special Education in June 2002 for review and approval. All required interagency agreements as stipulated in the Eligibility Document and Procedure Manual will be developed and implemented.
19. PSS should develop policies and procedures to ensure that all documents supporting eligibility are submitted by each applicant. Additionally, the eligibility application should contain a space for the signature of the Child Care Coordinator. The CNMI State Plan dated 10/1/97 - 9/30/99, Part 4 (4.1) states: <i>"The eligibility determination is made by our Child Care Coordinator."</i> The form currently in use leaves in question the identity of the individual that is making the determination of eligibility [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	PSS agrees to this finding and enhanced effort to review, monitor and update the files of each recipient on a quarterly or annual basis will be made in compliance with the administrative requirements indicated.
20. PSS should develop policies and procedures to ensure that the master participant list, applicant files, and childcare provider files are periodically monitored and reconciled [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	Enhanced effort to review, monitor and update the files of each recipient on a quarterly or annual basis was made in compliance with the administrative requirements indicated. There was no finding of the same condition identified in the fiscal year 2000 audit.
21. PSS should collaborate with the Department of Community and Cultural Affairs in developing day care licensing regulations for the CNMI and there should be a signed Memorandum of Understanding between the two agencies. Additionally, PSS should develop and enforce an internal	PSS	Resolved	The Special Education program of PSS ensures that all providers are licensed prior to issuance of purchase order of the Business Office for payment. There was no finding of the same condition identified in the fiscal year 2000 audit.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>monitoring program that encompasses periodic visits to licensed day care facilities that are providing childcare to children whose parents are receiving childcare certificates [Childcare &amp; Development Block Grant/CFDA #93.575].</p>			
<p>22. PSS should establish stringent policies and controls to ensure that all children in the Head Start program receive timely and complete medical and dental evaluations as required by 45 CFR §1304.3-3 and the CNMI Head Start General Health Services Written Plan, FY 1997-98. Furthermore, PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Head Start Program [Head Start Program/CFDA #93.600].</p>	PSS	Unresolved	<p>Enhanced effort to monitor all necessary documentation of each child enrolled within the Headstart program. A memorandum dated 4/1/02 was issued to program managers enforcing administrative compliance, participants receiving this program are to be monitored, reviewed and updated annually.</p>
<p>23. PSS should establish stringent controls and implement written policies and procedures governing the control over property, equipment, and supplies. Annual inventories should be performed and accountability should be maintained. Additionally, the Procurement Office and the warehouse receiving areas should be located closely enough so that management oversight can be handled with ease and personnel resources utilized in a more efficient manner [Consolidated Grant to Insular Areas/CFDA #84.998].</p>	PSS	Resolved	<p>PSS receives many ordered books throughout the year, some of which are returned if the school does not accept or use the book. Vendors do not accept any returned books with labels. Thus, Procurement Office will not label the books as property of PSS until they reach the final destination, which is at the school level. The principal is responsible for maintaining control of instructional materials. PSS will maintain its fiscal option of returning the books unlabeled and unopened until the school takes control of its purchases.</p>
<p>24. PSS should follow established local and federal procurement rules and regulations for procurements that exceed the small purchase threshold [Consolidated Grant to Insular Areas/CFDA #84.998].</p>	PSS	Resolved	<p>PSS has provided the supporting competitive bidding and other proposals for the lease of school buses for the specified transaction and noted no exception on the examination of the documents.</p>
<p>25. PSS should establish internal control</p>	PSS	Resolved	<p>PSS provided the supporting</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Consolidated Grant to Insular Areas/CFDA #84.998].</p>			<p>documents such as contracts and purchase orders for the specified transaction. There was no finding of the same condition identified in the fiscal year 2000 audit.</p>
<p>26. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Consolidated Grant to Insular Areas/CFDA #84.998].</p>	PSS	Resolved	<p>PSS provided purchase orders and check vouchers to support the specified transactions. Documents were examined and we noted no exception.</p>
<p>27. PSS should develop a written set of policies, procedures, and internal controls that delineates a mechanism for tracking and following-up incomplete prepaid orders and minimizes the receipt of supplies by the ordering schools. Management oversight of prepaid purchase orders should be diligent and strict accountability maintained [Consolidated Grant to Insular Areas/CFDA #84.998].</p>	PSS	Resolved	<p>An order logbook is to be maintained either at accounting or procurement office to keep track and follow-up incomplete prepaid orders. Additionally, the accounting office will notify, submit/forward a copy of the total amount prepaid. A review of the outstanding advances is now being made before a request for another advances of the same vendor is granted.</p>
<p>28. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Consolidated Grant to Insular Areas/CFDA #84.998].</p>	PSS	Unresolved	<p>Auditee did not respond specifically to this finding. Auditee made a general response on pages 116 and 117.</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
29. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Head Start Program/CFDA #93.600].	PSS	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response on pages 116 and 117.
30. PSS should establish stringent controls and implement written policies and procedures governing the control over property, equipment, and supplies. Annual inventories should be performed and accountability maintained. Additionally, the Procurement Office and the warehouse receiving areas should be located closely enough so that management oversight can be handled with ease and personnel resources utilized in a more efficient manner [Head Start Program/CFDA #93.600].	PSS	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response on pages 116 and 117.
31. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are proper, necessary, and in compliance with established federal regulations [Head Start Program/CFDA #93.600].	PSS	Unresolved	Auditee did not respond specifically to this finding. Auditee made a general response on pages 116 and 117.
32. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Nutrition Assistance Grant/CFDA #10.555].	PSS	Resolved	PSS provided purchase orders and check vouchers to support the specified transactions. Documents were examined and noted no exception.

### Reporting

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
33. I recommend the annual Single Audit should be contracted prior to year-end [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY1992 Single Audit)	Through the multi-year <i>Request for Proposal</i> for the Single Audit, PSS would be able to be current in the annual agency audit.
34. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented [Child Care Development Block Grant/CFDA #93.575].	PSS	Resolved	PSS provided purchase orders and check vouchers in support of the identified disbursements. Documents were examined and noted no exception.
35. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Unresolved	Enhanced efforts were made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference.
36. PSS should prepare and retain all required federal financial reports [Handicapped State Grant/CFDA #84.027A].	PSS	Unresolved (Outstanding since FY1996 Single Audit)	Enhanced effort was already made to prepare and retain all required reports. In fiscal year 2000 audit, PSS was found to be in adherence to the federal reporting requirements.
37. PSS should adhere to reporting deadlines. I additionally recommend that appropriate adjustment be performed in a timely manner [Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY1995 Single Audit)	Enhanced efforts were made to submit the required financial reports in a timely manner and reconcile records for all amounts reported to grantor agency. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. The Federal Program Office is now assigned to prepare the federal required reports. In the fiscal year 2000 audit, the cumulative expenditures reported per SF-269 in 2000 ties up with the amount in the general ledger and PSS was found to be in adherence to the federal reporting deadlines.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
38. I recommend that PSS properly document the filing of federal financial reports and reconcile records for all amounts reported to grantor agency [Head Start Program/CFDA #93.600].	PSS	Unresolved	Enhanced efforts were made to properly document the filing of federal financial reports and reconcile records for all amounts reported to grantor agency. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. In the fiscal year 2000 audit, the cumulative expenditures reported per PMS-272 in 2000 ties up with the amount in the general ledger and filing of federal financial reports is properly documented.
39. PSS should reconcile records for all amounts reported to the grantor agency and perform appropriate adjustments on a timely basis [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	Enhanced efforts were made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. This was subsequently corrected in the fiscal year 2000 audit.
<b>Federal Financial Reports</b>			
40. PSS should reconcile records for all amounts reported to the grantor agency [Handicapped State Grant/CFDA #84.027].	PSS	Unresolved	Enhanced efforts were made to submit the required financial reports in a timely manner and that the amounts reported to the grantor agency reconciles with the general ledger. In the fiscal year 2000 audit, the cumulative expenditures reported per SF-269 ties up with the amount in the general ledger and PSS was able to adhere to the reporting deadlines.
41. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Nutrition	PSS	Unresolved (Outstanding since FY1995 Single Audit)	Enhanced efforts were made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Assistance Grant/CFDA #10.555].			copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. In the fiscal year 2000 audit, the cumulative expenditures reported per SF-269 ties up with the amount in the general ledger.
<b>Property &amp; Equipment</b>			
42. I recommend that appropriate accounting policies and procedures be established for fixed assets [All Federal Grants].	PSS	Unresolved (Outstanding since FY1989 Single Audit)	PSS is now working to establish a general fixed asset account group in compliance with the equipment and property management federal requirements.

**4. Annual Financial & Compliance Audit in Accordance with OMB-A-I33 Fiscal Year Ended September 30, 1997 By: Deloitte & Touche**

Date(s) of followup letter(s) sent : 8/20/01

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
<b>Purchases/Disbursements</b>			
1. PSS should implement procedures to ensure adherence to procurement policies.	PSS	Unresolved (Outstanding since FY1995 Single Audit)	PSS moved in 1996 and some documents were misplaced. In the future, extra efforts will be made to file supporting documentation promptly and maintain these files.
<b>External Financial Reporting</b>			
2. PSS should only make adjustments to the opening fund balance when a	PSS	Unresolved	



Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
material prior period error is noted.			
<b>Inventory</b>			
3. PSS should improve internal controls over inventory by using prenumbered receiving reports and inventory issuance slips, and maintaining subsidiary ledgers or stock cards to facilitate reconciliation of year end inventory balances. Written inventory instructions should be distributed to PSS personnel involved in inventory counts to ensure accurate and consistent counts.	PSS	Unresolved (Outstanding since FY1995 Single Audit)	Inventories were directly expensed to the appropriate expenditure accounts at cost at the time of acquisition during fiscal year 1997. The Procurement Office of PSS is conducting an inventory of all assets and is in the process of upgrading its system of accounting for inventories.
<b>Payables and Accrued Liabilities</b>			
4. PSS should establish policies and procedures to produce appropriate financial reports after the closing of an accounting period.	PSS	Unresolved	Enhance efforts to prepare monthly reconciliation/schedule at the end of the fiscal year.
<b>Encumbrances</b>			
5. Management should review the items in the encumbrance ledger to ensure that the encumbrances are properly recorded and valid.	PSS	Unresolved (Outstanding since FY1995 Single Audit)	This is a document-filing problem that may require changes both in personnel and procedures to satisfactorily correct.
<b>Allowable Costs/Cost Principles</b>			
6. PSS should maintain adequate documentation in compliance with the PSSPRR for purchases and ensure that these documents are appropriately retained [U.S. Department of Agriculture/Nutrition Assistance Grant/CFDA #10.555].	PSS	Resolved	The Procurement Office has provided the identified contracts for review, the details of vendor selection and other proposals, and the justification for the emergency procurement and increase on price of the contracts. No exception was noted during the examination of documents.
7. PSS should comply with the PSS Procurement Rules and Regulations and ensure that the documents are safeguarded from loss [U.S. Department of Education/ Handicapped State Grant/CFDA	PSS	Unresolved	This is a document retention problem. The documents were accidentally detached and lost during packing and/or re-filing when the Fiscal Office was relocated to the Nauru Building. Enhanced efforts will be made to file

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
#84.027].			all supporting documentation for expenditures and secure these documents numerically filed in locked filing cabinets.
8. PSS should properly maintain all records [U.S. Department of Education/Handicapped State Grant/CFDA #84.027].	PSS	Unresolved	The Human Resources Office (HRO) lost the personnel details for this employee in the relevant pay period. They were unable to verify the education and experience of the individual, which are the determining factors in computing the rate of pay. HRO will develop computerized files for each employee that are maintained on both hard and floppy discs in addition to the original signed hard copy that constitutes the employee master file.
9. All documents should be appropriately retained [U.S. Department of Education/ Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Unresolved	The Human Resources Office (HRO) lost the personnel details for this employee in the relevant pay period. They were unable to verify the education and experience of the individual, which are the determining factors in computing the rate of pay. HRO will develop computerized files for each employee that are maintained on both hard and floppy discs in addition to the original signed hard copy that constitutes the employee master file.
10. PSS should comply with the PSS Procurement Rules and Regulations [U.S. Department of Health and Human Services/Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	This is a document retention problem. The documents were accidentally detached and lost during packing and/or re-filing when the Fiscal Office was relocated to the Nauru Building. Enhanced efforts will be made to file all supporting documentation for expenditures and secure these documents numerically filed in locked filing cabinets.

### Eligibility

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
11. PSS should establish stringent controls to ensure all required documents of eligibility are submitted by each applicant [U.S. Department of Health and Human Services/Admin. Child, Youth & Family/Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY1995 Single Audit)	This is a document retention problem that has been exacerbated by the Headstart Program moving three times in the last three years. Enhanced efforts are being made to ensure that child enrollment documents are properly filed and maintained in a locked file.
12. PSS should implement policies and procedures that will control access to and improve custodianship of participant files [U.S. Department of Health and Human Services/ Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	PSS concurs and has implemented standard operating procedures under the Child Care Program.

**Reporting**

13. PSS should prepare and retain an annual report [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	PSS has subsequently prepared an annual report for fiscal year 1997.
14. PSS should contract its annual Single Audit prior to year-end [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY1992 Single Audit)	PSS has already issued the audit RFP for FY 1998 and 1999.

**Special Tests and Provisions**

15. PSS should adhere to grant terms and conditions [Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY1992 Single Audit)	The Headstart Program did enroll 559 children prior to the start of school, however, attendance fluctuated and only 497 children were in attendance at the end of the school year. PSS will establish a waiting list and enroll additional children as soon as there are slots available.
--	-----	---	---

**Reporting**

16. PSS should properly document the filing of federal financial reports [Head Start Program/CFDA #93.600].	PSS	Unresolved	Beginning the fiscal year 1998, the preparation of reports and monitoring of federal reporting requirements were transferred from the Fiscal & Budget office to the Federal Programs office.
---	-----	------------	--

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Prior Year Status</b>	<b>Agency Response/ Corrective Action Plan</b>
17. PSS should adhere to reporting requirements [Micro Impact Aid/CFDA #15.875].	PSS	Unresolved	This is a document retention problem. Enhanced efforts will be made by procurement staff to retain documentation that shows compliance with established federal reporting procedures.
<i>Allowable Costs/Cost Principle</i>			
18. PSS should maintain adequate documentation for purchases and ensure that the documents are safeguarded from loss [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	This is a document retention problem. The documents were accidentally detached and lost during packing and/or re-filing when the Fiscal Office was relocated to the Nauru Building. Enhanced efforts will be made to file all supporting documentation for expenditures and secure these documents numerically filed in locked filing cabinets.
<i>Equipment and Real Property Management</i>			
19. PSS should establish appropriate accounting policies and procedures for fixed assets [All Federal Grants].	PSS	Unresolved (Outstanding since FY 1989 Single Audit)	PSS has purchased a fixed asset accounting software and has entered into a contract to provide training to our accounting and procurement staff on how to implement this fixed asset accounting system.

# Workmen's Compensation Commission

**I. Annual Financial & Compliance Audit  
in Accordance with OMB-A-I33  
Fiscal Year Ended September 30, 2001  
By: J. Scott Magliari & Company**

Date(s) of followup letter(s) sent : 2/12/03

Date(s) of response letter(s) received :

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. WCC should establish and implement internal control policies and procedures to ensure that subsidiary ledger are reconciled to general ledger control account balances on a monthly basis.	WCC	Unresolved	WCC stated that enhanced effort will be made to ensure that subsidiary ledgers are reconciled to the general ledger on a monthly basis.
2. WCC should establish policies and procedures to ensure that a physical inventory of equipment is conducted at least once every two years. The Fund should also ensure that all property and equipment are tagged. The physical count should be reconciled to the detailed subsidiary record and general ledger. Management should also develop and implement a Capitalization Policy to ensure that fixed assets are properly capitalized and accounted for.	WCC	Unresolved	WCC stated that enhanced effort will be made to ensure that a physical inventory of equipment will be conducted at least once every two years. The Fund will also ensure all property and equipment will be tagged and that the physical count reconciles to the detailed subsidiary record and general ledger. In addition, a capitalization policy will be developed and implemented to ensure that fixed assets are properly capitalized and accounted for.

# APPENDIX A

## Acronyms Used

ACF	Administration for Children and Families
ADAP	Agricultural Development in the American Pacific
AGO	Office of the Attorney General
AP	Accounts Payable
AR	Audit Report
ASCC	American Samoa Community College
AWOL	Absence Without Leave
BGR	Business Gross Revenue
BMV	Bureau of Motor Vehicles
BOE	Board of Education
BOELEC	Board of Election
BPL	Board of Public Lands
CAO	Carolinian Affairs Office
CDA	Commonwealth Development Authority
CFA	Confidential Fund Advance
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CGECU	Commonwealth Government Employees Credit Union
CHC	Commonwealth Health Center
CIP	Capital Improvement Projects
CJIS	Criminal Justice Information System
CMC	Commonwealth Code
CNMI	Commonwealth of the Northern Mariana Islands
CPA	Commonwealth Ports Authority
CSC	Civil Service Commission
CSPD	Comprehensive System of Personnel Development
CUC	Commonwealth Utilities Corporation
DCCA	Department of Community and Cultural Affairs
DCD	Development Corporation Division
DDC	Developmental Disabilities Council
DFW	Division of Fish and Wildlife
DLNR	Department of Lands & Natural Resources
DOC	Department of Commerce
DOF	Department of Finance
DOI	Department of the Interior
DOLI	Department of Labor and Immigration
DPH	Department of Public Health
DPL	Division of Public Lands

DPM	Disbursements Payment Management
DPS	Department of Public Safety
DPW	Department of Public Works
EMO	Emergency Management Office
EWR	Employer's Quarterly Withholding Tax Return
FASB	Financial Accounting Standards Board
FLSA	Fair Labor Standards Act
FMS	Financial Management System
FSR	Financial Status Report
FTE	Full Time Employment
FY	Fiscal Year
GASB	Government Accounting Standards Board
GHI	Government Health Insurance
GHLIB	Government Health and Life Insurance Branch
GHLITF	Government Health and Life Insurance Trust Fund
GOV	Office of the Governor
HCFA	Health Care Financial Administration
HOUSEREP	House of Representatives
HR	Human Resources
HRO	Human Resources Office
HUD	Housing and Urban Development
IEP	Individualized Educational Plan
JDE (system)	J.D. Edwards (system)
LEA	Local Educational Agency
LEG	Legislature
LEGBUREAU	Legislative Bureau
LIBCOUNCIL	Library Council
LT	Letter Report
MHS	Marianas High School
MIP	Micro Information Products
MOU	Memorandum of Understanding
MPLA	Marianas Public Lands Authority
MPLC	Marianas Public Land Corporation
MPLT	Marianas Public Land Trust
MVA	Marianas Visitors Authority
NAP	Nutrition Assistance Program
NIMO	Northern Islands Mayor's Office
NMC	Northern Marianas College
NMHC	Northern Marianas Housing Corporation
NMI	Northern Mariana Islands
NMI-GHLITF	Northern Mariana Islands Government Health and Life Insurance Trust Fund
NMIRF	Northern Mariana Islands Retirement Fund
NPS	Non Profit Series
OMB	Office of Management and Budget

OPA	Office of the Public Auditor
OPL	Office of Public Lands
OPM	Office of Personnel Management
OSEP	Office of Special Education Program
PA	Personnel Action
P&S	Procurement & Supply
PDO	Public Defender's Office
PFA	Prostitution Fund Advance
PIEI	Pacific Islands Education Initiative
PL	Public Law
PMS	Payment Management System
PO	Purchase Order
PPMO	Property and Procurement Management Office
PSSRR	Personnel Service System Rules and Regulations
PSS	Public School System
PSSPRR	Public School System Procurement Rules and Regulations
RFP	Request for Proposals
RHC	Rota Health Center
RMC	Rota Municipal Council
RMO	Rota Mayor's Office
SAA	Special Assistant for Administration
SEA	State Educational Agency
SF	Standard Form
SMC	Saipan Municipal Council
SMO	Saipan Mayor's Office
SPMC	Supreme Court
SPRC	Superior Court
SY	School Year
TA	Travel Authorization
TCGCC	Tinian Casino Gaming Control Commission
TMC	Tinian Municipal Council
TMO	Tinian Mayor's Office
TMT	Tinian Municipal Treasurer
TSD	Technical Services Division
TV	Travel Voucher
US	United States
WCC	Workmen's Compensation Commission
WRO	Washington Representative's Office
WSR	William S. Reyes



# Index

Abuse of Government Time		Saipan Fishing Center and Lease of the Garapan	
Department of Finance	5	Fishing Base	68
Advances to Employees		Audit Report	
CNMI Single Audit	97, 105	AR-94-05	21
Commonwealth Utilities		AR-95-12	59
Corporation	59	AR-95-17	52
Annual Financial & Compliance Audit		AR-95-18	65
CNMI Single Audit	95	AR-96-01	31
Commonwealth Development Authority	109	AR-96-05	68
Commonwealth Government Employees		AR-97-03	79
Credit Union	113	AR-97-05	34
Commonwealth Ports Authority	114	AR-97-06	15
Commonwealth Utilities Corporation	116	AR-97-07	17
Marianas Public Lands Authority	160	AR-97-11	2
Northern Marianas College	127	AR-98-02	41
Northern Mariana Islands Government		AR-98-03	43
Health and Life Insurance		AR-98-06	7
Trust Fund	158	AR-99-01	80
Northern Mariana Islands Retirement		AR-99-02	90
Fund	159	AR-99-03	84
Public School System	115	AR-99-04	37
Worker's Compensation Commission	192	AR-00-01	24
Attorney General		AR-00-02	48
Abuse of Government Time by a Technical		AR-00-03	53
Financial Analyst	5	AR-00-04	69
Agreement with Submerged Land Lessee		AR-00-05	82
for Operating the Outer Cove		AR-01-01	75
Marina	12	AR-01-02	12
Board Related Transactions and Purchase		AR-02-01	62
of Vehicles	52	AR-02-02	85
Compensatory Time Claimed and		AR-02-03	50
Retirement Benefits Paid to Two Former		AR-02-04	26
Officials of the CPA	53, 55	Bureau of Motor Vehicles	
Compliance with Authorized Number of		Driver's Licensing and Vehicle Registration	
Full Time Employment Positions		Activities	21
in the Rota Mayor's Office	28	Board of Marianas Public Lands Authority	
Consultant's Contract	84	Audit of Collection of Rentals on Land	
Credit Card and Related Travel		Leases with Quarries for Six Lease Years from	
Transactions	65-66	1990 to 1995	69
Land Survey Contract for the Tinian		CNMI Government Compliance Audits	
Road Resurfacing Project	24-25	Audit of Employees' Time and	
Misuse of Funds and Resources of DDC	17-18	Attendance	43
Misuse of Funds by the Former Secretary		Compliance with Government Vehicle	
of Finance	7	Act and Regulations	41
Procurement and Costs of Renovating		Audit of CNMI Government-Paid Travel	45
the CDA's Leased Building	49	CNMI Lottery Operations	
Professional Services Contracts	2, 37	Audit of Government Revenues for the	
Rota Health Center (RHC) Director's		Fourth Quarter of Fiscal	
Claim Against RHC	15-16	Year 1999	9
		CNMI-Wide Audits	

Audit of Employees' Time and Attendance .....	43	Rebates to Eleven Taxpayers .....	8
CNMI Single Audit .....	95	Finance and Accounting Division .....	95-98, 103, 105-106
Compilation of CNMI Government-Paid Travel For Fiscal Year 1997 .....	45	Investigation of a Motor Vehicle Leased by the Tinian Mayor's Office .....	30
Compliance with Government Vehicle Act and Regulations .....	41	Land Survey Contract for the Tinian Road Resurfacing Project .....	24
Professional Services Contracts .....	34, 37	Leased Motor Vehicle, Tinian Mayor's Office .....	30
Commonwealth Development Authority Annual Financial & Compliance Audit .....	109	Marianas High School Food Court .....	82
Northern Marianas Housing Corporation Procurement and Costs of Renovating the CDA's Leased Building .....	48	Misuse of Funds and Resources of DDC .....	17
Commonwealth Government Employees Credit Union Annual Financial & Compliance Audit .....	113	Misuse of Funds by the Former Secretary of Finance .....	7
Commonwealth Health Center CNMI Single Audit .....	96-97, 105	Operations of Tinian Mayor's Office .....	31
Commonwealth Ports Authority Board-Related Transactions .....	52	Procurement and Costs of Renovating the CDA's Leased Building .....	49
Compensatory Time Claimed and Retirement Benefits Paid to Two Former Officials of the CPA .....	53	Procurement and Supply ...	41, 98, 102, 106-108
Annual Financial & Compliance Audit .....	114	Professional Services Contracts .....	2, 34, 36, 39
Purchase of Vehicles for DPW .....	52	Rota Health Center Director's Claims .....	15-16
Commonwealth Utilities Corporation Advances to the Former Executive Director .....	59	Treasury Division .....	99, 104, 107
Audit of Travel of the Board of Directors Key Management and Other CNMI Government Officials from October 1999 through March 2001 .....	60	Department of Lands and Natural Resources Audit of Agreement with a Submerged Land Lessee for Operating the Outer Cove Marina from May 1993 to October 1998 .....	12
Audit of Small Purchases .....	62	Division of Fish and Wildlife .....	11
Annual Financial & Compliance Audit .....	116	Time and Attendance of Two DFW Employees and Whether their Arrangements with DFW was Consistent with the Pacific Islands Education Initiative .....	11
Compensatory Time Commonwealth Ports Authority .....	53	Department of Public Health CNMI Single Audit .....	96-97, 105, 108
Consultant's Contract Tinian Casino Gaming Control Commission .....	84	Commonwealth Health Center .....	96-97, 105
Contracts, Professional Services .....	2, 34, 37, 84	Development Disabilities Council .....	17
Credit Card Marianas Public Lands Authority .....	65	Granting of Unequal Salaries to Social Worker Employees .....	19
Department of Finance Audit of Government Revenues from the CNMI Lottery Operations .....	9	Medicaid .....	103, 108
Abuse of Government Time by a Technical Financial Analyst .....	5	Misuse of Funds and Resources of DDC .....	17
CNMI Single Audit .....	95-108	Rota Health Center Director's Claims .....	15
Compliance with Government Vehicle Act and Regulations .....	41	Department of Public Safety Confidential Informant Fund and Prostitution Fund for Fiscal Year Ended September 30, 1999 .....	22
Double Payments of 1995 Corporate Tax		Bureau of Motor Vehicles .....	21
		Driver's Licensing and Vehicle Registration Activities .....	21
		Department of Public Works CNMI Single Audit .....	100-102, 107
		Land Survey Contract for the Tinian Road Resurfacing Project .....	24
		Technical Services Division .....	100-101, 107
		Development Disabilities Council	

Misuse of Funds and Resources . . . . .	17	Marianas Public Lands Authority	
Division of Finance and Accounting		Audit of Collection of Rentals on Land	
CNMI Single Audit . . . . .	95-98, 103, 105-106	Leases with Quarries for Six	
Division of Fish and Wildlife		Lease Years from 1990 to 1995 . . . . .	69
Time and Attendance of Two DFW		CNMI Single Audit . . . . .	97, 99, 105
Employees and Whether their Arrangements with		Credit Card and Related Travel	
DFW was Consistent with the Pacific		Transactions . . . . .	65
Islands Education Initiative . . . . .	11	Saipan Fishing Center and the Lease of the	
Division of Procurement and Supply		Garapan Fishing Base . . . . .	68
CNMI Single Audit . . . . .	98, 102, 106-108	Medicaid	
Compliance with Government Vehicle		CNMI Single Audit . . . . .	103, 108
Act and Regulations . . . . .	41	Misuse, Funds	
Division of Treasury		Department of Finance . . . . .	7
CNMI Single Audit . . . . .	99, 104, 106	Development Disabilities Council . . . . .	17
Double Payments, Tax		Misuse, Resources	
Department of Finance . . . . .	8	Developmental Disabilities Council . . . . .	17
Hopwood Junior High School		Municipality of Rota	
Audit of Property and Equipment . . . . .	81	Compliance with Authorized Number of	
Land Lease		FTE Positions . . . . .	28
Garapan Fishing Base . . . . .	68	Office of the Mayor . . . . .	28
Collection of Rentals on Land Leases with		Municipality of Tinian	
Quarries . . . . .	69	Motor Vehicle Leased by the Tinian	
Legislature		Mayor's Office . . . . .	30
Audit of the Maintenance and Use of the		Office of the Mayor . . . . .	30-31
Challenger Since its Purchase		Operations of Tinian Mayor's Office . . . . .	31
in 1995 . . . . .	3	Northern Marianas College	
Procurement and Costs of Renovating the CDA's		Annual Financial & Compliance Audit . . . . .	127
Leased Building . . . . .	48	Northern Marianas Housing Corporation	
Letter Report		Annual Financial & Compliance Audit . . . . .	110-112
LT-95-06 . . . . .	30	Northern Mariana Islands Government Health	
LT-98-07 . . . . .	5	and Life Insurance Trust Fund	
LT-98-11 . . . . .	28	Annual Financial & Compliance Audit . . . . .	158
LT-98-14 . . . . .	80	Northern Mariana Islands Retirement Fund	
LT-99-06 . . . . .	19	Audit and Investigation of Health Insurance	
LT-00-01 . . . . .	45	Payments to a Physical Therapy Clinic for	
LT-00-02 . . . . .	8	Physical Therapy	
LT-00-04 . . . . .	11	Services June 1993 to	
LT-00-07 . . . . .	81	December 1999 . . . . .	75
LT-01-02 . . . . .	3	Audit of Billings for a Professional	
LT-01-04 . . . . .	76	Services Contract During the	
LT-01-05 . . . . .	77	Period October 1, 1996 through	
LT-01-06 . . . . .	9	February 29, 2000 . . . . .	77
LT-01-07 . . . . .	60	Audit of Travel Outside the CNMI from	
LT-01-08 . . . . .	22	October 1996 through	
Loans Receivable, Audit		March 2000 . . . . .	76
Commonwealth Development Authority . . . . .	50	Compensatory Time Claimed and	
Long Distance Telephone Charges, Audit		Retirement Benefits Paid to	
Department of Labor and Immigration . . . . .	26	Two Former Officials	
Marianas High School		of the CPA . . . . .	56-58
Follow-up Audit of MHS Student Funds . . . . .	80	Compilation of CNMI Government-Paid	
Food Court . . . . .	82	Travel For Fiscal Year 1997 . . . . .	45

Annual Financial & Compliance Audit . . . . .	159	Commonwealth Utilities Corporation . . . . .	62
Office of Management and Budget		Technical Services Division	
Professional Services Contracts . . . . .	35	CNMI Single Audit . . . . .	100-101, 107
Office of Personnel Management		Tinian Casino Gaming Control Commission	
Granting of Unequal Salaries to Social		Audit of Consultant's Contract . . . . .	84
Worker Employees . . . . .	19	Audit of Travel Transactions . . . . .	85
Office of the Governor		Tinian, Department of Labor and Immigration	
Compilation of CNMI Government-Paid		Audit of Long Distance	
Travel For Fiscal Year 1997 . . . . .	45	Telephone Charges . . . . .	26
Maintenance and Use of the Challenger		Tinian Mayor	
Since its Purchase in 1995 . . . . .	3	Audit of Operations . . . . .	31
Office of the Special Assistant for Drug		Investigation of a Motor Vehicle Leased	
and Substance Abuse . . . . .	2	by TMO . . . . .	30
Professional Services Contracts . . . . .	2	Travel Transactions	
Office of the Mayor		Commonwealth Utilities	
Rota . . . . .	28	Corporation . . . . .	60
Tinian . . . . .	30	Compilation of CNMI Government-Paid	
Operations, Audit		Travel For Fiscal Year 1997 . . . . .	45
Tinian Mayor . . . . .	31	Marianas Public Lands Authority . . . . .	65
Procurement		Public School System . . . . .	79
Professional Services . . . . .	2	Tinian Casino Gaming Control Commission . . .	85
Renovation of CDA's Leased Building . . . . .	48	Unequal Salaries	
Professional Services		Department of Public Health . . . . .	19
Executive Branch . . . . .	34, 37	Washington Representative's Office	
Office of the Special Assistant for Drug		Verification of Expenses and Review of	
and Substance Abuse . . . . .	2	Selected Administrative	
Public School System		Practices . . . . .	90
Audit of Marianas High School Food		William S. Reyes Elementary School	
Court Covering School Year		50 <sup>th</sup> Golden Jubilee Funds . . . . .	80
1998-1999 . . . . .	82	Worker's Compensation Commission	
Audit of Property and Equipment of		Annual Financial & Compliance Audit . . . . .	192
Hopwood Junior High School . . . . .	81		
Audit of the William S. Reyes School and			
50 <sup>th</sup> Golden Jubilee Funds . . . . .	80		
Follow-up Audit of Marianas High School Student			
Funds . . . . .	80		
Annual Financial & Compliance Audit . . . . .	164		
Travel of Former Therapist/Adaptive			
P.E. Specialist . . . . .	79		
WSR 50 <sup>th</sup> Golden Jubilee Executive			
Committee . . . . .	80		
Retirement Benefits			
Commonwealth Ports Authority . . . . .	53		
Rota Health Center			
Director's Claims Against the RHC . . . . .	15		
Rota Municipal Council			
Audit of Employees' Time and			
Attendance . . . . .	44		
Single Audit			
CNMI . . . . .	95		
Annual Financial & Compliance Audit . . . . .	95		
Small Purchases, Audit			



