

PUBLIC AUDITOR'S MESSAGE TO THE INTERAGENCY AUDIT COORDINATING ADVISORY GROUP

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 shall review all audit reports of the Public Auditor, and the Public Auditor shall discuss the manner in which audit recommendations can be implemented with the assistance of the members of the Coordinating Group. The Coordinating Group shall recommend to the Governor and to the legislature any changes in law or regulations which it finds necessary or desirable as a result of its work with the Public Auditor.

In 1994, the Office of the Public Auditor (OPA) implemented an audit recommendation tracking system to ensure that recommendations in audit reports issued by OPA and private certified public accounting (CPA) firms are implemented rather than being forgotten and ignored.

Open or **resolved** audit recommendations were included in OPA's tracking system. An **open** recommendation is one where no action or plan of action has been made 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.

Last year, OPA completed 28 audits of various departments and agencies of the Commonwealth Government. Of the 28 completed audits, 22 were issued as full audit reports and 6 were issued as letter reports. Copies of these reports were provided to the members of the Coordinating Group at the time of release.

The Office tracked 132 audit recommendations made in the 28 final reports issued. Of the 132 recommendations, 54 are closed and 78 are either open or resolved. In addition, 22 recommendations from prior year's audits remained either open or resolved for a total of 100 OPA recommendations currently being tracked. Of the open or resolved recommendations, 62 are now considered delinquent because these are now at least 180 days old, and we have not been informed by the auditees of any action being taken to close the recommendations.

We have also included in the tracking system, recommendations issued by private CPA firms. In 1995, CPA firms completed and issued audit reports on 6 financial and compliance audits. For these audits, the CPA firms made 101 recommendations, 49 of which are closed and 52 are either open or resolved. Of the 52 open or resolved recommendations, 51 are now delinquent for the same reasons cited above.

The report on open and resolved recommendations is provided for the Coordinating Group's determination about whether discussions are needed between members of the Group and the Public Auditor on the manner in which audit recommendations can be implemented. Due to the large number of delinquent recommendations, we believe that it is now necessary to request the Coordinating Group's assistance in enforcing the auditees' compliance with the audit recommendations. Several options may be available to ensure compliance by the auditees. Initially, however, we believe that an official from the Governor's Office could be designated the responsibility to pursue closure of open and resolved recommendations, especially those that are delinquent.



Leo L. LaMotte
CNMI Public Auditor

August 5, 1996

Contents

Department of Public Safety	1
Department of Finance	4
Department of Public Works	6
Department of Lands and Natural Resources	7
Department of Commerce	10
Department of Public Health	11
Office of the Mayor of Northern Islands	13
Municipality of Rota	13
Commonwealth Ports Authority	14
Commonwealth Utilities Corporation	18
Tinian Casino Gaming Commission	21
CNMI Labor Day Committee	23
Commonwealth of the Northern Mariana Islands Single Audit	24

Office of the Public Auditor

List of Open and Resolved Audit Recommendations

❖ *Department of Public Safety (DPS)*

Bureau of Motor Vehicles (BMV) **Driver's Licensing and Vehicle Registration Activities** **Report No. AR-94-5 issued November 19, 1994**

Date(s) of followup letter(s) sent : 12/30/94, 2/23/95, 7/7/95, 10/6/95, 5/3/96

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

Recommendation	Status	Action Required
4. Director of BMV should develop and implement written procedures establishing duties of each BMV employee so that persons performing review and approval functions shall not be involved in the processing of driver's license.	Resolved Delinquent	DPS Commissioner should provide (1) a copy of the written procedures establishing duties of each BMV employee, and (2) target implementation date.
5. Director of BMV should develop and implement written procedures to ensure the validity of driver's licenses issued. Specifically, require (a) the DL supervisor to review all applications for driver's license, and (b) the driving examiners to prepare a daily report of driving examinations conducted.	Resolved Delinquent	DPS commissioner should provide (1) a copy of the written procedures that requires (a) the DL Supervisor to review all applications for driver's license, and (b) the driving examiners to prepare a daily report of driving examinations conducted; and (2) target implementation date.
6. Director of BMV should develop written procedures and implement a filing system where all pertinent documents used in the processing of driver's licenses are systematically arranged in individual files.	Resolved Delinquent	DPS Commissioner should provide (1) a copy of the written procedures for a systematic filing of all pertinent documents used in the processing of driver's licenses, and (2) target implementation date.
7. Director of BMV should assign one staff member to control records kept in and access to the storeroom. The assigned staff should label and systematically arrange the boxes of documents to facilitate retrieval when necessary.	Resolved Delinquent	DPS commissioner should provide a copy of a memo assigning specific staff and the required procedures to control records in the storeroom.
8. Director of BMV should establish and implement written review procedures to ensure the reliability of the records. The review procedures should (a) require the DL Supervisor to control the assignment of numbers to the license cards, and (b) stop the practice of assigning "00" or "01" extension numbers to duplicate driver's license numbers and correct the duplicate and erroneous driver's licenses by assigning the next numbers in the series that the license was originally issued.	Resolved Delinquent	DPS commissioner should provide (1) a copy of the written review procedures to ensure the reliability of the records, and (2) target implementation date.

Recommendation	Status	Action Required
9. Director of BMV should assign the responsibility of changing data in the computer file to one staff member. The assigned staff should be required to document the reason for the changes made to the computer file and on the driver's license cards.	Resolved Delinquent	DPS Commissioner should provide a copy of a memo assigning specific staff responsible for and the required procedures in changing data in the computer files.
12. Commissioner of DPS should require the CJIS programmer to modify the data base program for driver's licenses to allow the accumulation of historical data.	Resolved Delinquent	DPS Commissioner should provide (1) a target implementation date, and (2) status report on the implementation of the recommendation.
13. Commissioner of DPS should require the CJIS programmer to modify the driver's license data base program to improve the processing and maintenance of driver's license records. The program should be able to accept entry of data from the application and be able to print that data on the driver's license cards. The data should be automatically added by the program to the data base file. If necessary, the DPS can seek assistance from the EDP programmers at the Department of Finance.	Resolved Delinquent	DPS Commissioner should provide (1) a target implementation date, and (2) status report on the implementation of the recommendation.
16. Commissioner of DPS and Director of BMV should develop and implement a plan to fully utilize the computer system for vehicle registration. The plan should include (a) recording of vehicle registrations at the BMV instead of bringing the registration files to the CJIS, (b) reconciling the data base file with the manual logbook, and (c) requiring inquiry of vehicle registrations using the computer after the data base has been reconciled with the logbook.	Resolved Delinquent	DPS Commissioner should provide (1) a target implementation date, and (2) status report on the implementation of the recommendation.
17. 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.	Resolved Delinquent	DPS Commissioner should provide (1) a target implementation date, and (2) status report on the implementation of the recommendation.
18. Director of BMV should develop and implement written procedures to ensure the accuracy of computer records of vehicle registration and completeness of supporting documents. These procedures should include (a) review by the supervisor of the registration documents, (b) assignment of a staff member to log the registration files transferred to and received from the CJIS, (c) filing of registration documents on a daily basis, and (d) preparation of a daily transaction report by the CJIS that should be compared to the vehicle registration documents at the BMV.	Resolved Delinquent	DPS Commissioner should provide (1) a copy of the written procedures, and (2) target implementation date.

Bureau of Motor Vehicles (BMV)
Licensing of Firearm Holders, Shooting Galleries, and Firearm Dealers
Report No. AR-95-06 issued April 25, 1995

Date(s) of followup letter(s) sent : 6/21/95, 5/3/96
 Date(s) of response letter(s) received: 6/26/95, 10/17/95

Recommendation	Status	Action Required
1. Commissioner of DPS should require that procedures be developed and implemented to ensure that firearm IDs are issued only to eligible persons. The procedure should require Court clearances that respond to all requirements of the law and DPS regulations, a clearance from the applicant's doctor or hospital responding to all requirements of the law, and proof of residency and age.	Open Delinquent	DPS Commissioner should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of written procedures to ensure that firearm IDs are issued only to eligible persons, including requirement for court clearance, doctor or hospital clearance, and proof of residency and age which responds to all requirements of the law and DPS regulations.
3. DPS Commissioner should require the Records Section to accurately and completely maintain the registry of IDs including complete files of all documents showing eligibility for IDs and restrict access to the files to only those employees involved with firearm IDs.	Open Delinquent	DPS Commissioner should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written procedures to accurately and completely maintain the registry of firearm IDs.
4. DPS Commissioner should require the BMV Director to develop and implement written policies and procedures with the assistance of the Supervisor of the Records Section and the Director of Police for following-up on and enforcing ID renewal under the Weapons Control Act.	Open Delinquent	DPS Commissioner should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written policies and procedures for following-up on and enforcing ID renewal.
6. Director of BMV should develop written policies and procedures to ensure the safe operation of shooting galleries after issuance of their licenses.	Open Delinquent	DPS Commissioner should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written policies and procedures to ensure the safe operation of the shooting galleries after issuance of their license.
7. Director of BMV should develop written policies and procedures for the verification of transfers of firearms and ammunition by the firearm dealers.	Open Delinquent	DPS Commissioner should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written policies and procedures for the verification of transfers of firearm and ammunition.

**Unnecessary Purchase of an Ambulance Transmission Assembly
Report No. AR-95-09 issued June 8, 1995**

Date(s) of followup letter(s) sent : Pending revision of the procurement regulations
Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
3. Secretary of DOF should publish and adopt amendments to the CNMI Procurement Regulations, such that (a) require purchase requisition for items that are expensive (perhaps \$10,000 and above) and need to be attested by a technician to be signed by such staff, and (b) restrict sole source procurement only when both local and off-island suppliers have been considered and surveyed by the requisitioning agency.	Open Active	DOF needs to clarify the definition of sole source and the procedures for checking vendor quotes. Thus, DOF Secretary should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the amended regulations or written procedures that clearly define sole source and the procedures in checking vendor quotes.

❖ Department of Finance (DOF)

**Audit of CNMI Group Health Insurance Program
Report No. AR-95-08 issued May 31, 1995**

Date(s) of followup letter(s) sent : 7/6/95, 5/2/96
Date(s) of response letter(s) received: 5/16/96, Extension requested by Secretary of Finance up to 6/30/96

Recommendation	Status	Action Required
1. Establish and implement written policies and procedures to review and adjust insurance contributions annually, to cover the cost of benefits and all other costs of administering the insurance program, and to maintain reserve funds. The policies should also include a statement on the insurance contribution share for the government and employees.	Resolved Active	Provide copy of written policies and procedures to review and adjust insurance contributions annually.
2. Develop and implement written policies regarding the purposes of benefits and deductibles and procedures for making adjustments.	Resolved Active	Provide copy of written policies and procedures regarding the purposes of benefits and deductibles and procedures for making adjustments.
3. Study the reasons for such a large backlog and develop a strategy for eliminating the backlog of claims processing.	Resolved Active	Provide copy of result of review of the reasons for the backlog and of strategies developed for its elimination.
4. Evaluate the advantages and disadvantages of totally or partially privatizing the government health insurance program and determine if the CNMI government and employees will be benefited.	Resolved Active	Provide results of evaluation of the advantages and disadvantages of totally or partially privatizing the GHI program.

Recommendation	Status	Action Required
5. Develop and implement written policies and procedures on the computation of benefits and compliance with eligibility requirements.	Resolved Active	Provide copy of written policies and procedures on the computation of benefits and compliance with eligibility requirements.
6. Establish a program for reviewing the work of claim processors on a sample basis.	Resolved Active	Provide copy of program for reviewing the work of claim processors on a sample basis.
7. Determine the need for adjusting the overpayments and underpayments of claims disclosed by our audit.	Resolved Active	Provide copy of adjustments, if determined that overpayments and underpayments will be adjusted. If not, provide copy of justification.
8. Instruct the GHI Supervisor to prepare written guidelines (with sample computations) that clearly explain the correct way to compute insurance benefits. The assistance of a person familiar with the intent of plan or an insurance expert may be needed to ensure that the written guidelines reflect the correct interpretation of these provisions.	Resolved Active	Provide copy of written guidelines (with sample computations) that clearly explain the correct way to compute insurance benefits.
9. Instruct the Acting Chief of Finance and Accounting to adjust erroneous charges and credits disclosed by our audit.	Resolved Active	Provide copy of journal voucher audit adjustments.

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

Date(s) of followup letter(s) sent : None
Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
2. Designate responsibility to a specific DOF office for implementing government vehicle regulations and develop specific procedures for confiscating vehicle and bringing disciplinary actions against offending officials or employees.	Open Delinquent	Inform OPA of the DOF office designated to implement government vehicle regulations and provide OPA copy of procedures.
3. Recover the \$1,000 paid to Joeten Motors Company, Inc. from responsible officials of the Tinian Mayor's Office.	Open Delinquent	Provide OPA proof that the \$1,000 has been recovered.

❖ Department of Public Works (DPW)

Audit of the Kagman School Project Report No. AR-95-21 issued December 6, 1995

Date(s) of followup letter(s) sent : 2/7/96, 7/16/96

Date(s) of response letter(s) received: 2/29/96, 3/4/96

Recommendation	Status	Action Required
3. Submit a revised plan to OTIA to justify the \$4.0 million grant. The revised plan should present the several phases of the school project and that each phase should result in a usable facility.	Resolved Delinquent	<p>The Secretary of DPW responded that the PSS is currently working with the A&E Consultant to produce first phase construction documents that will not exceed the \$4.0 grant and that he will submit these documents to the office of the Insular Affairs when they become available.</p> <p>The Secretary should provide OPA a copy of the revised plan to OTIA to justify the \$4.0 grant and also a copy of the first phase construction documents.</p>
5. Issue a directive to DPW emphasizing the necessity for compliance with CNMI Procurement Regulations.	Resolved Delinquent	<p>The Director of Procurement and Supply responded that he will issue a directive to the Secretary of DPW mandating him to comply with the CNMI Procurement Regulations in all future A&E services procurement.</p> <p>The Director of Procurement and Supply should provide OPA a copy of the directive.</p>
6. Issue a directive to DPW requiring adequate documentation of all bid and proposal evaluations. Documentation should include the criteria used, the scoring system used in the evaluation, the number of evaluations made, and the results of the bid and proposal evaluation(s).	Resolved Delinquent	<p>The Director of Procurement and Supply stated in his response that adequate documentation of all bid and proposal evaluations is now an ongoing practice in the DPW. However, he will re-enforce this requirement by participating and scrutinizing all bid and proposal evaluations.</p> <p>The Director of Procurement and Supply should provide OPA a copy of the directive or memorandum to DPW requiring adequate documentation of all bid and proposal evaluations and also a copy of the memo informing DPW that the Division of Procurement and Supply will participate in and scrutinize all bid and proposal evaluations.</p>
7. Establish written guidelines and procedures to be used in evaluating bids and proposals.	Resolved Delinquent	<p>The Secretary of Public Works responded that the written guidelines and procedures to be used in evaluating bids and proposals will be completed on or before December 8, 1995.</p> <p>The Secretary of Public Works should provide OPA a copy of the written guidelines and procedures.</p>

❖ **Department of Lands and Natural Resources (DLNR)**

Carolinian Affairs Office

User Fees, Scholarship Fund and Managaha Proposal

Report No. AR-95-02 issued January 27, 1995

Date(s) of followup letter(s) sent : 2/28/95, 4/6/95, 7/6/95, 7/16/96

Date(s) of response letter(s) received: 4/18/95, 5/8/95, 8/11/95

Recommendation	Status	Action Required
1. Publish the policy in the Commonwealth Register and file with the Registrar of Corporations and the Governor.	Resolved Delinquent	Provide copy of the policy published in the Commonwealth Register and file with the Registrar of Corporation and the Governor.
2. Coordinate with the Secretary of Finance to develop and implement written policies and procedures over collection and disbursement of user fees. The policies and procedures should describe the circumstances when collections should be deposited in a bank and the purposes for which disbursements can be made and ensure that payments are authorized in advance.	Resolved Delinquent	Provide copy of the written polices and procedures over collection and disbursement and a copy of the memorandum directing implementation.
3. Meet with and recover from the Overall Chairman former Executive Assistant, and former Custodian the \$1,035 cash shortage since all were responsible for the collection.	Open Delinquent	Provide copy of proof of payment of the \$1,035 cash shortage.
4. Require the Overall Chairman to request the sellers to return unsold tickets and explain in writing the disposition of any missing tickets. The Overall Chairman should then compile a report accounting for all printed tickets. The report should be kept available at CAO for review by all interested parties.	Open Delinquent	Provide copy of sellers' written responses and the Overall Chairman's report accounting for all printed tickets.
5. Refund tickets sold and cash donations received from donors. For in-kind donations, send letter to donors explaining its use. Furthermore, dispose of in-kind donations deemed unfit for human consumption	Open Delinquent	Provide copy of proof of refunds and returns of ticket costs and donations received.

**Review of Internal Controls of the DLNR
Report No. AR-95-16 issued September 21, 1995**

Date(s) of followup letter(s) sent : 7/16/96

Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
2. Issue a directive prohibiting employees from drawing gasoline for their personal cars at the Government gas station. Whenever the use of employees' personal cars is necessary, reimbursements should be based on the DOF-established mileage rate.	Resolved Delinquent	The Secretary of DLNR responded that he had issued a memorandum to all DLNR Division Directors informing them that effective immediately, no private vehicles will be allowed to draw gasoline at the Government gas station. The Secretary of DLNR should provide OPA a copy of the directive.
4. Require the Director of Animal Health by directive to comply with the Imprest Fund Manual policies and procedures to control Animal Health revolving fund activities. The Director of Animal Health should consider (a) transferring the function of Certifying Officer to the Director, assigning another as Disbursing Officer since review and approval were performed by the Director, and assigning alternate staff members for all functions and (b) maintaining a separate cash box for each cashier for control purposes.	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the directive requiring the Director of Animal Health to comply with the Imprest Fund Manual policies and procedures.
5. Require the Director of Animal Health by directive to comply with the Animal Quarantine Rules and Regulations. Animals entering the CNMI should be quarantined pending issuance of the entry permits.	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the directive.
6. Evaluate the adequacy of the existing reporting requirements to be submitted by permittees to the Division of Fish and Wildlife. If the evaluation finds that the reports or records are necessary, enforce submission to comply with the regulations. Otherwise, eliminate the requirements by amending the applicable provisions in the regulations.	Resolved Delinquent	The Secretary of DLNR should provide OPA with the results of the evaluation made and a copy of amendments made to the regulations, if any.
7. Issue a directive requiring the Forestry Section to comply with the Forestry Resources Protection Regulations, as follows: (a) to prepare a written recommendation to approve or deny application for permits, (b) to document inspections with written reports, and (c) to release forestry permits only after the permit has been signed by both the applicant and the Secretary of Lands and Natural Resources.	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the directive requiring Forestry Section to comply with the Forestry Resources Protection Regulations.

Recommendation	Status	Action Required
8. Develop and implement written policies and procedures to properly manage collections.	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the written policies and procedures.
9. Develop and implement written policies and procedures to ensure proper maintenance of permit documents.	Resolved Delinquent	The Secretary of DLNR should OPA a copy of the written policies and procedures.
10. Require by directive that the Administrative Officers of the DLNR Divisions become familiar with the DOF Chart of Accounts to ensure expenditures are charged to the proper accounts.	Open Delinquent	The Secretary of DLNR should issue a directive requiring the Administrative Officers of the DLNR Divisions to become familiar with the DOF Chart of Accounts and provide OPA a copy of the directive.

Division of Public Lands
Audit of Credit Card and Related Travel Transactions
Report No. AR-95-18 issued October 10, 1995

Date(s) of followup letter(s) sent : Verbal followups made through the telephone
Date(s) of response letter(s) received: 11/14/95, 6/27/96

Recommendation	Status	Action Required
1. Require the cardholders to reimburse MPLC for all the unallowable and unsupported credit card charges, unless they can specifically identify the charges with MPLC official business and present supporting documents. If necessary, the Secretary of the Department of Lands and Natural Resources (DLNR) and the Director of the Division of Public Lands (DPL) should seek the assistance of the Attorney General to recover the personal, unallowable, and unsupported credit card charges from the cardholders.	Resolved Active	<p>The Secretary of DLNR and the Director of DPL responded that they will advise the cardholders in writing of their intention to recover the amount of personal, unallowable, and unsupported credit card charges.</p> <p>The Secretary and the Director should provide OPA a copy of the letter, responses, and any actions by the Attorney General.</p> <p>On 11/14/95, OPA received a copy of letter responses to the audit findings from the former Executive Director of DPL. Actions by the Attorney General, however, are not received yet.</p>
2. Recover from the cardholders the amount of \$45,698.	Resolved Active	<p>The Secretary of DLNR and the Director of DPL responded that they will inform the cardholders/travelers in writing about DPL's intention to recover the amount of \$45,698 in double payment of travel expenses and overpaid per diem allowances.</p> <p>The Secretary and the Director should provide OPA a copy of the letter, responses, and any actions by the Attorney General.</p>
4. Review and evaluate whether charges for official representation expenses were properly chargeable to MPLC and recover improper charges from the former Executive Director.	Resolved Active	The Director of DPL with the approval of the Secretary of DLNR, responded that she will evaluate the validity of official representation claimed by the former Executive Director and

Recommendation	Status	Action Required
5. Develop and implement written policies and procedures that clearly indicate the circumstances where official representation expenses are allowed and the manner in which it should be documented to ensure that the expenses are reasonable and incurred in the best interest of the CNMI.	Resolved Active	<p>will inform the former Executive Director in writing of DPL's intention to recover any unjustified claims for official representation.</p> <p>The Secretary and the Director should provide OPA a copy of the results of evaluation made and if there were unjustified claims, a copy of the letter to the former Executive Director, responses, and any actions by the Attorney General.</p> <p>The Director of DPL, for approval by the Secretary of DLNR and the Governor, will develop written policies and procedures to define official representation and entertainment expenses and the authority and conditions governing the use of funds for these expenses.</p> <p>The Secretary of DLNR and the Director of DPL should provide OPA a copy of the written policies and procedures.</p>
6. Instruct the current Comptroller to determine the correct balance of the travel advance account, and forward unreimbursed advances to DOF for collection. The remaining travel advance balances of cardholders/travelers still working with 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.	Resolved Active	<p>The Secretary of DLNR and the Director of DPL responded that they will determine and advise the travelers in writing of the amounts of overpaid per diem allowances and will forward any unreimbursed outstanding travel advances to DOF for collection.</p> <p>The Secretary and the Director should provide OPA a copy of the letter sent to cardholders/travelers and referrals to the Department of Finance and final collection actions.</p>

❖ Department of Commerce

**Marianas Visitors Bureau (MVB)
Audit of Settlement Agreement Between the Former Managing Director
and the Executive Committee Members
Report No. AR-95-22 issued December 11, 1995**

Date(s) of followup letter(s) sent : 3/7/96
Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
1. Include a provision in employment contracts that any Board-appointed employee serves at the pleasure of the Board and may be terminated by the Board, such as in a sixty-day termination clause.	Resolved Active	The Managing Director responded that the MVB Board will consider our recommendation, provided however, that it is not in conflict with Executive Order 94-3 or other CNMI laws. She also stated that the MVB Board has already authorized its Managing Director and Legal

Recommendation	Status	Action Required
2. Coordinate with the Attorney General's Office to recover the amount of \$151,180, consisting of \$81,180 paid to the former Managing Director representing damages for loss of reputation, pain and suffering and \$70,000 for loss of wages for 1995 as a result of the extension of her contract through 1996.	Resolved Active	<p>Counsel to commence a review of all existing employment contracts of MVB, and to implement, when and where possible, the recommendation concerning the termination clause.</p> <p>The MVB Board should provide OPA a copy of the directive or memorandum authorizing its Managing Director and Legal Counsel to review all the existing employment contracts of MVB, and the results of the review.</p> <p>The Managing Director responded that the MVB Board has authorized its Managing Director and Legal Counsel to coordinate recovery of the funds with the Attorney General's Office after receiving the final audit report from OPA.</p> <p>The MVB Board should provide a copy of the directive or memorandum authorizing its Managing Director and Legal Counsel to coordinate recovery of the funds with the Attorney General's Office, and the results of actions taken.</p>

**Marianas Visitors Bureau
Independent Auditor's Report on the Internal Control Structure
in Accordance with Government Auditing Standards
Year Ended September 30, 1994
OPA Control No. IC-95-02**

Date(s) of followup letter(s) sent : 7/18/95, 9/7/95
Date(s) of response letter(s) received: 7/27/95

Recommendation	Status	Action Required
1. Take steps to automate the accounting function to gain efficiency.	Resolved Active	Provide copy of plan of actions to be taken for automating the accounting functions.

❖ Department of Public Health (DPH)

**Medical Referral Program and Medical Referral Transactions
Under the San Diego Hospital Association Agreement
Report No. AR-95-03 issued February 7, 1995**

Date(s) of followup letter(s) sent : 3/13/95, 6/30/95, 11/20/95, 3/11/96
Date(s) of response letter(s) received: 5/23/95, 8/29/95

Recommendation	Status	Action Required
2. Develop and implement medical referral policies and procedures that:	Resolved Active	Secretary of Public Health should provide copy of the medical referral policies and procedures (final version).

Recommendation	Status	Action Required
<ul style="list-style-type: none"> a. Designate the Medical Referral Committee as the authority over medical referrals and require strict documentation of eligibility requirements, and emergency referral cases. b. Require financially capable patients to pay a portion of their medical referral costs. c. Specify which medical conditions may be referred to off-island treatment facilities. d. Restrict approval of family escorts to patients who are minors or adults who cannot adequately care for themselves. 		<p>OPA Comments:</p> <p>In a June 28, 1996 discussion with the Medical Referral Officer, he explained that a final public hearing will be conducted on July 12, 1996 before the medical referral policies and procedures are finalized and submitted to the Legislature, who may recommend additional changes.</p>
<p>6. Develop and formalize long-term plans to resolve the high cost of medical care in the CNMI (such as plans to provide CNMI-wide health care insurance and preventive health care programs to all residents). Upon completion, these plans should be brought to the attention of the Governor and the Legislature for action.</p>	<p>Resolved Active</p>	<p>Secretary of Public Health should provide a copy of long-term plans to reduce the cost of health care in the CNMI.</p>
<p>9. Investigate the extent that referrals were made due to shortage of medical supplies and the lack of affordable medical equipment. If warranted, these deficiencies should be addressed through prompt payments and better inventory planning or by improving procurement procedures.</p>	<p>Open Active</p>	<p>Secretary of Public Health should provide a copy of the plan or steps taken to prevent non-medical related referrals.</p>

**Review of CNMI Agencies' Reconciliation of Medical Claims with Straub Clinic and Hospital, Inc.
Report No. AR-95-15 issued September 14, 1995**

Date(s) of followup letter(s) sent : 3/11/96
Date(s) of response letter(s) received: 4/3/96

Recommendation	Status	Action Required
<p>2. Secretary of Finance instruct the GHI Division Supervisor and the Secretary of Public Health instruct the Medicaid Program Administrator to develop and implement a system that can facilitate the processing of claims.</p>	<p>Resolved Active</p>	<p>Initially, the Secretary of Finance responded that a contractor was hired to develop and implement an improved claims processing system. In his latest response letter dated 4/3/96, however, the Secretary stated that the processing of claims by the Group Health Insurance (GHI) Division will be privatized in view of the failure of the contractor to develop a system for processing claims. According to the Secretary, the Quality Control Manager will spearhead the project</p>

Recommendation	Status	Action Required
3. Secretary of Finance consider transferring the responsibility for releasing claim checks to CNMI agencies so they can keep track of payments. Of course, controls over the release of checks should be established.	Open Active	which is expected to be completed by September 30, 1996. The Secretary of Finance responded that DOF will be providing computer access to the Medical Referral Office & the GHI Division so they can inquire on the status of claims submitted to DOF for payment. The project will be spearheaded by the EDP Director and is expected to be completed by September 30, 1996.

❖ Office of the Mayor of Northern Islands

**Employee Time Charges and Capital Expenditures
Report No. AR-95-04 issued February 21, 1995**

Date(s) of followup letter(s) sent : 3/27/95, 7/3/95, 7/19/96
Date(s) of response letter(s) received: 4/3/95, 7/10/95

Recommendation	Status	Action Required
3. Establish written procedures to periodically test the integrity of the employment history data in the system.	Open Delinquent	Provide copy of the procedures.
9. Determine how the equipment can be used to benefit Northern Island residents. Otherwise, consider turning over the equipment to Procurement and Supply.	Resolved Delinquent	Provide proof of shipment of the items to Anatahan and list of community projects.

❖ Municipality of Rota

**Memorandum of Agreement Between the Municipality of Rota
and International Bridge and Construction/Marianas, Inc.
Report No. LT-95-04 issued August 17, 1995**

Date(s) of followup letter(s) sent : 7/16/96
Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
2. Survey and record the remaining equipment donated by Marianas Agupa Enterprises.	Resolved Delinquent	The Director of Procurement and Supply requested the Rota Mayor's Office to conduct the survey and record the remaining equipment donated by Marianas Agupa Enterprises, and to provide the records to his Office. Provide OPA documentation of the survey made and proof that the equipment has been recorded.

Recommendation	Status	Action Required
3. Establish procedures for handling property donated to the CNMI Government.	Open Delinquent	Provide OPA a copy of the procedures.
4. Establish written procedures for reporting to the Division of Procurement and Supply any in-kind contributions the Municipality of Rota may receive in the future.	Open Delinquent	The Director of Procurement and Supply has instructed the Rota Mayor to report any donated capital item to the Central Procurement and Supply. Provide OPA a copy of the written procedures.

❖ Commonwealth Ports Authority (CPA)

**Audit of Credit Card and Related Travel Transactions
Report No. AR-95-II issued August 1, 1995**

Date(s) of followup letter(s) sent : 11/21/95, 3/7/96
Date(s) of response letter(s) received: 12/6/95, 3/15/96, 3/27/96

Recommendation	Status	Action Required
1. Require cardholders to reimburse CPA for all unallowable and unsupported credit card charges unless they can specifically identify the charges with CPA official business and present supporting documents.	Resolved Active	In his previous response, the Board Chairman stated that the findings were already being pursued by the Attorney General's Office. In his letter dated 3/27/96, the Board Chairman enclosed a copy of the Executive Director's letter dated 3/15/96 to the Attorney General requesting an update on the status of the cases referred by CPA. <u>Continuing information required:</u> CPA should keep OPA updated on the status of the actions taken by the AG's Office every sixty days.
2. Recover the improper charges (for hotel accommodations and meals which were already covered by per diem allowances) from cardholders.	Resolved Active	In his previous response, the Board Chairman stated that the findings were already being pursued by the Attorney General's Office. In his letter dated 3/27/96, the Board Chairman enclosed a copy of the Executive Director's letter dated 3/15/96 to the Attorney General requesting an update on the status of the cases referred by CPA. <u>Continuing information required:</u> CPA should keep OPA updated on the status of the actions taken by the AG's Office every sixty days.

Recommendation	Status	Action Required
3. Require reimbursement (of official representation and entertainment expenses) from cardholders unless they can specifically identify the charges with CPA official business.	Resolved Active	<p>In his latest response, the Board Chairman stated that the findings were already being pursued by the Office of the Attorney General.</p> <p>Continuing information required:</p> <p>CPA should keep OPA updated on the results of the actions taken by the AG's Office.</p>
4. Develop and implement written policies for official representation expenses that clearly indicate the circumstances where it is allowed and the manner how it should be documented. Also, consider preparing forms for documenting representaiton expenses, and establishing guidelines that limits representation expenses to a moderate amount and that require travelers to pay for their share of representation expenses covered by per diem, such as meals.	Resolved Active	<p>CPA adopted official representation policies and procedures on November 17, 1995. Proposed amendments to categorize individuals that may be entertained were also recommended by the Executive Director in his memorandum dated 3/15/96 to the Board Chairman.</p> <p><u>OPA Comments</u></p> <p>Our review of the official representation policies and procedures adopted by CPA and the proposed amendments showed that additional improvements are still needed. As previously commented, CPA should consider amending the policies and procedures to include the following matters:</p> <ol style="list-style-type: none"> a. Official representation expenses should be clearly defined and specific examples should be illustrated. b. Specific categories of persons that may be entertained (e.g. visiting dignitaries or officials of foreign governments) and the circumstances when they can be entertained should be included. Government officials and employees should <u>generally be excluded</u>, and consultants and contractors should <u>always be excluded</u> from categories of persons that can be entertained. c. All CPA officials, except perhaps the Chairman of the Board and the Executive Director, should be required to obtain prior approval before incurring official representation expenses. No other exceptions should be allowed. Even the Chairman and Executive Director, however, should file a statement of persons and purpose of entertainment in advance. d. Under 1 CMC Sec. 8247 (c), board members need to obtain the specific approval of the Board for extraordinary expenses, such as official representation. The Board Chairman or a special committee for such purpose

Recommendation

Status

Action Required

should be designated to approve extraordinary expenses of board members. Hence, board members cannot be pre-approved and authorized to incur official representation expenses without proper approval.

In general, CPA officials, including board members, should not be allowed to incur entertainment expenses while meeting among themselves, attending seminars, and meeting with consultants and contractors. These types of entertainment expenses do not benefit the public, results in waste and abuse of public funds, and convey the appearance of impropriety.

Additional Action Required:

CPA should amend the policies and procedures on official representation to include the above matters. representation to include the above matters.

Audit of Board-Related Transactions and Purchase of Vehicles for the Department of Public Works (DPW)

Report No. AR-95-17 issued October 2, 1995

Date(s) of followup letter(s) sent : 11/20/95, 3/7/96
Date(s) of response letter(s) received: 3/27/96

Recommendation

Status

Action Required

2. Recover the \$42,191 improper reimbursements from the board members unless they can specifically identify the expenses as CPA official business and/or present supporting documents.

Resolved
Active

In his latest letter response dated 3/27/96, the 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). No updated response was made concerning the remaining balance of \$40,131 collectible from the former board chairman.

Additional information required:

CPA should provide evidence of collections from the former board chairman or that appropriate legal actions have been taken to enforce collections.

Recommendation	Status	Action Required
3. Establish written procedures for board expense reimbursement that will ensure compliance with the requirements of the law (1 CMC, §8247 (c)).	Resolved Active	<p>CPA initially responded that internal control procedures will be implemented to address the recommendation. In his latest letter response dated 3/27/96, however, the Board Chairman stated that current travel policies and procedures should be adequate to account for board-related travel reimbursements.</p> <p><u>OPA comments:</u></p> <p>The law provides that a board member may receive reimbursement for “extraordinary” expenses incurred during the performance of his duties <u>upon submission of receipts</u> or other proof of expenses and <u>upon specific approval</u> of the board.</p> <p>Our findings showed that improper reimbursements were made by CPA board members without any documentation showing that the expenses were board-related and without specific board approval. <u>Several of these expenses were not travel-related.</u> Consequently, there is a need to establish separate policies and procedures for board expense reimbursement. These should include requiring board approval (e.g. through a board committee established for such purpose) before reimbursements are made, completion of a board reimbursement form (or any appropriate documentation) to document the nature and purpose of the expenses, and providing a definition for allowable “extraordinary expenses.”</p> <p><u>Additional actions required:</u></p> <p>CPA should adopt official policies and procedures on board expense reimbursements.</p>
4. Establish written policies and procedure to prevent financial interest violations in the future.	Resolved Active	<p>In his latest letter response dated 3/27/96, the Board Chairman responded that the CPA Legal Counsel has been instructed to draft policies and procedures to prevent financial interest violations by board members and CPA employees. A copy of the letter to the Legal Counsel dated 3/15/96 was provided to us.</p> <p><u>Additional actions required:</u></p> <p>CPA provide OPA the target date for completion of the draft policies and procedures. Upon completion, CPA should provide a copy of the draft to OPA.</p>

Recommendation	Status	Action Required
5. Decide whether DPW should be requested to reimburse CPA for the purchase of the trucks and document such arrangements through mutual agreement.	Resolved Active	The Executive Director sent a letter dated 3/27/96 to the Secretary of Public Works requesting return of the trucks. <u>Additional information required:</u> CPA should update OPA on the status of this recommendation.
6. Take actions to recover the cost of the trucks from the former CPA officials for violating CPA procurement regulations.	Resolved Active	CPA responded that the former officials will be notified to share in the cost of the vehicles. <u>Additional information required:</u> CPA should update OPA on the status of this recommendation.

❖ Commonwealth Utilities Corporation (CUC)

**Audit of Collections-CUC Rota Office
Report No. AR-94-06 issued December 14, 1994**

Date(s) of followup letter(s) sent : None
Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
2. That the CUC Executive Director impose administrative penalties on all employees involved according to their degree of responsibility.	Resolved Active	Impose administrative penalties based on the results of investigation to be conducted by the Attorney General's Office.

**Audit of Compensatory Time Compensation
Report No. AR-95-07 issued May 15, 1995**

Date(s) of followup letter(s) sent : 7/3/95, 9/20/95
Date(s) of response letter(s) received: 8/25/95, 10/3/95, 2/8/96

Recommendation	Status	Action Required
1. Take action to recover the \$244,740.83 improperly paid to the former Executive Director relating to compensatory time payments and standby payments.	Resolved Active	Provide the Office of the Public Auditor 1) a copy of CUC's letter requesting the former Executive Director to repay the compensatory time and standby pay improperly paid to him, and 2) documentation showing amount recovered from the former Executive Director.
3. Recover \$13,142.39 (net of \$21,000 received) mistakenly paid as a retirement bonus to the former Executive Director and reverse the	Resolved Active	Provide the Office of the Public Auditor 1) documentation showing amount recovered from the former Executive Director, and 2)

Recommendation	Status	Action Required
approximately 4,500 hours improperly credited for retirement purposes.	Resolved Active	documentation showing the reversal of the 4,500 hours improperly credited for retirement purposes. Provide the Office of the Public Auditor documentation showing amounts recovered from employees.

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

Date(s) of followup letter(s) sent : None
Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
1. Require the Comptroller to establish procedures to ensure that advances to employees are monitored, and collection actions are initiated on all advances that remain unliquidated beyond the period allowed by law.	Open Delinquent	The Operating Manual prepared by CUC did not contain procedures for the monitoring of advances to employees. CUC should establish procedures relating to the monitoring of advances to employees and provide copy of the procedures to OPA.
2. Require the Comptroller to record the \$5,300 advance as a receivable and require the former Executive Director to return the amount.	Resolved Active	The Executive Director responded that the amount will be recorded and that CUC will request the Attorney General's Office to take action to collect the amount from the former Executive Director. CUC should provide OPA a copy of the journal voucher recording the amount, the request to the Attorney General, and the results of the actions taken.
3. Require the former Executive Director to return \$7,333 for the expenses paid twice and in error. For the hotel expenses of other travelers paid by the former Executive Director, recover the \$8,526 from the other travelers because they received per diem for paying the hotel, but kept the money instead.	Resolved Active	The Executive Director responded that CUC will refer the matter affecting the former Executive Director to the Attorney General's Office and that CUC will require identified employees to return the \$8,526. CUC should provide OPA a copy of the letter referring the matter to the Attorney General and the results of actions taken. In addition, CUC should also provide OPA with the collection letters and the results of such collections made from the identified employees
5. Require the former Executive Director to justify and present supporting documents for the \$23,368 in questioned expenses. If no	Resolved Active	The Executive Director responded that CUC will refer the matter to the Attorney General's Office to pursue as part of its ongoing investigation.

Recommendation	Status	Action Required
documentation can be presented, require the former Executive Director to return the amount.		CUC should provide OPA a copy of the letter referring the matter to the Attorney General and the results of actions taken.
6. 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 procedures on how to request advances and document official representation expenses.	Resolved Delinquent	The Executive Director responded that CUC will implement specific policies regulating official representation and business entertainment expenses. CUC should provide OPA a copy of the policies and procedures.
8. Require the Comptroller to develop procedures on purchases requiring cash payment, wire transfers, and allowability of cash purchases for reimbursement.	Resolved Delinquent	The Executive Director responded that the Comptroller will develop and implement procedures regulating wire transfers and prepayments. CUC should provide OPA a copy of the procedures.
10. Require the Comptroller to check CUC records to ensure that items purchased by the former Executive Director were actually received by CUC.	Open Delinquent	The Executive Director agreed with the recommendation but did not provide a plan of action. CUC should provide OPA a plan of action to ensure that items purchased by the former Executive Director were received.
11. Require the former Executive Director to return the \$24,857 due for an oven, tensioner, and winding machine assembly which were never received and whatever amounts may be determined as a result of the above recommendations.	Resolved Active	The Executive Director responded that CUC will refer this matter to the Attorney General's Office to pursue as part of its ongoing investigation. CUC should provide OPA a copy of the letter referring the matter to the Attorney General and the results of actions taken.
12. Formally adopt the CNMI policy on travel accommodations and car insurance.	Resolved Delinquent	The Executive Director responded that the CUC Board of Directors will adopt travel policies, either CNMI or as amended to fit CUC. CUC should provide OPA a copy of the adopted travel policies.

Audit of Collections for Honey Wagon Services - CUC Rota Office
Report No. LT-95-05 issued September 18, 1995

Date(s) of followup letter(s) sent : None
 Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
4. CUC Executive Director develop and implement written procedures to ensure that employee(s) involved in the misuse of funds are identified and appropriate sanctions are enforced.	Resolved Active	Identify the responsible employee(s) involved in the misuse of funds and enforce appropriate sanctions.

❖ Tinian Casino Gaming Control Commission

Financial Statements and Audit Report for FY 1992 and 1993
Report No. AR-94-03 issued September 14, 1994

Date(s) of followup letter(s) sent : 10/27/94, 11/18/94, 1/13/95, 7/6/95, 7/1/96
 Date(s) of response letter(s) received: 12/19/94

Recommendation	Status	Action Required
1. Make a study and offer financial incentives, such as tax holidays for a certain period, to attract more potential investors.	Resolved Delinquent	The plan presented is acceptable. However, in order to consider the recommendation closed, the TCGCC Deputy Director should provide copy of the study made, re: financial incentives to investors, on or before March 31, 1995.
4. Evaluate the current regulations for imposing special fee assessment. It may be more acceptable for applicants and license holders just to be charged with the actual cost of licensing plus a reasonable amount of overhead cost instead of being assessed based on estimated amount of budget shortfall.	Resolved Delinquent	The plan presented is acceptable. However, in order to consider the recommendation closed, the TCGCC Deputy Director should provide copy of results of the evaluation on or before February 28, 1995.
5. Initiate actions to amend the existing regulations concerning the eligibility requirements for appointment as a Commission member (Part II. Section 5 (6) of the Casino Act).	Open Delinquent	Reconsider the recommendation. Provide the title of the official responsible and the target date for initiating actions to amend the existing regulations concerning the eligibility requirements for appointment as a Commission member by providing for minimum educational or technical requirements.
16. Initiate the publication and formal adoption of the proposed revised regulation in the Commonwealth Register to comply with the necessary adoption procedures required by the Administrative Procedures Act. The Gaming Commission should specify the effective date of the proposed regulations.	Resolved Delinquent	In order to consider the recommendation closed, provide copy of the publication and formal adoption of the proposed revised regulations in the Commonwealth Register on or before February 28, 1995.

Recommendation	Status	Action Required
18. Establish a written policies regarding individuals that might be allowed to travel using Gaming Commission funds.	Open Delinquent	Reconsider the recommendation. Although the subject is difficult to address, in order for the Gaming Commission to control its funds, written policies should be established which would require justification of travel of persons outside the immediate commission's members or staff. A copy should be provided to us.
19. Establish formal regulations to control official representation and grocery expenses.	Open Delinquent	In order to consider the recommendation closed, provide copy of regulations to control official representation and grocery expenses.
25. Establish in writing and enforce regulations in TR authorization requirements and voucher computations. The Gaming Commission should not allow the traveler to authorize his own travel.	Open Delinquent	Provide copy of written regulation which would disallow traveler to authorize his own travel request.
27. Issue a directive requiring the accountant's certification of funds before approval of payment of expenditures.	Open Delinquent	Reconsider the recommendation. Provide signed copy of directive requiring the accountant's certification of funds before approval of payment of expenditures.
28. Implement cost-cutting measures, monitor the revenue budget and expenditures, establish a special bank account for licensing cost deposits, maintain the accounting records in accordance with GAAP, implement travel regulations especially concerning the immediate return of travel advances by person whose travel is canceled, obtain updated Form W-4s from all employees, timely file and remit taxes, and check the work of the timekeeper.	Resolved Delinquent	Provide us signed copy of the following directives: procurement policies, budget/expenditure, separation of bank account, accounting record maintain in accordance with GAAP, liquidation of travel advances, W-4 forms, tax payments, travel authorization, trip report and travel advances, travel policy, and timekeeping. Also provide us the ff. docs. : bank a/c no. for the licensing cost deposit special bank a/c, copy of latest schedule of unliquidated or partially liquidated advances for collection, copy of reminders to be sent out to employees regarding collection of taxes receivable, copy of directive assigning a person to be responsible for making follow-up of the liquidation of long o/s travel advances, and include trip reports in the list of documents needed to be attached to each TV.
29. Issue directives or policies on assigning a person to monitor the receipts and disbursements of licensing cost deposit, proper documentation of charges against the licensing cost deposits of applicants, acceptable method of allocating operating and overhead cost to applicant's licensing cost, requiring the accountant to make the necessary adjustments to the FS, the revised duties and responsibilities of the Gaming Commission and the Municipal Treasurer, requiring the Municipal Treasurer to deposit all local revenues generated from casino-related	Open Delinquent	Provide us the following memorandum and forms: directive assigning a person to monitor the receipts and disbursements of licensing cost deposit, policies on proper documentation of charges against the licensing cost deposits of applicants, procedures on an acceptable method of allocating operating and overhead cost to applicant's licensing cost, directive requiring the accountant to make the necessary adjustments to the FS, policies on the revised duties and responsibilities of the Gaming Commission and the Municipal Treasurer, directive requiring the Municipal Treasurer to deposit all local revenues

Recommendation	Status	Action Required
operation to the Municipal Treasurer bank account, requiring the staff assigned to process payroll to study and strictly comply with the rules on taxes.		generated from casino-related operation to the Municipal Treasurer bank account, directive requiring the staff assigned to process payroll to study and strictly comply with the rules on taxes.

❖ CNMI Labor Day Committee

**Audit of Receipts and Disbursements
Report No. AR-95-19 issued November 7, 1995**

Date(s) of followup letter(s) sent : 7/16/96
Date(s) of response letter(s) received: None

Recommendation	Status	Action Required
1. Issue a directive disallowing the practices of: (a) spending the Committee's funds for appreciation parties, (b) distributing in-kind contributions to Committee officers and members, and (c) donating to other nonprofit organizations.	Open Delinquent	The Executive Chairman should provide OPA a copy of the directive (a) abolishing the practice of having appreciation parties, (b) stopping the distribution of in-kind contributions to Committee officers and members, and (c) recognizing the committees in Rota and Tinian and the Committee's intention to extend monetary assistance upon request of the committees.
2. Prepare a budget to determine how much money and in-kind contributions are needed to be raised to cover the needs of the current year's activities.	Open Delinquent	The Executive Chairman did not specifically state whether a budget will be prepared for each activity. He responded that it is unreasonable to limit the amount of contributions that can be received in a given year. The Executive Chairman should provide OPA a copy of the letter requiring other Committee officers to annually meet with him for the preparation of a budget, and a copy of the budget prepared.
3. Adopt a policy for setting the amount of cash to be carried over to the following year as a reserve.	Open Delinquent	The Executive Chairman responded that the Committee should be allowed to solicit and raise money 50% more than what is needed. The Executive Chairman should address the recommendation. He should provide OPA a copy of the policy for setting the amount of cash to be carried over to the following year as a reserve.
4. Refer to the Attorney General for further investigation the matter relating to the disappearance of the Committee's PA System.	Resolved Delinquent	The Executive Chairman should provide OPA a copy of the letter request to the Attorney General.
6. Establish and implement written policies and procedures to maintain a permanent record of fixed assets and all other property, to designate	Resolved Delinquent	The Executive Chairman responded that the members of the Executive Committee will develop written policies and procedures to control

Recommendation	Status	Action Required
a custodian, and to document transfer of custodial responsibilities.		fixed assets and all other property of the Committee. The Executive Chairman should provide OPA a copy of the written policies and procedures.
7. Develop and implement written policies and procedures to define, communicate, and monitor controls over collections, disbursements, and disposition of in-kind contributions received.	Resolved Delinquent	The Executive Chairman responded that the members of the Executive Committee will develop written policies and procedures to define, communicate, and monitor controls over collections, disbursements, and disposition of in-kind contributions. The Executive Chairman should provide OPA a copy of the written policies and procedures.
8. (a) File the required annual report with the CNMI Registrar of Corporations and (b) submit application for tax-exempt status and file the required annual information return with the CNMI Division of Revenue and Taxation.	Resolved Delinquent	(a) The Executive Chairman did not include in his response that he will file an annual report with the CNMI Registrar of Corporations. However, based on our telephone conversation on October 23, 1995, he said that he had already filed the annual report. (b) The Executive Chairman responded that he will file an application for tax exemption for the Committee and the required annual information return with the CNMI Division of Revenue and Taxation. The Executive Chairman should provide OPA a copy of the (a) annual report, and (b) application for tax exemption and annual information return acknowledged "received" by the CNMI Registrar of Corporations and the CNMI Division of Revenue and Taxation respectively.

❖ Commonwealth of the Northern Mariana Islands (CNMI)

**CNMI Single Audit
Independent Auditor's Report on Internal Control Structure
Year Ended September 30, 1994
OPA Control No. IC-95-01**

Date(s) of followup letter(s) sent : Various addressees 7/18-19/95, 7/2/96
Date(s) of response letter(s) received: No response received for the recommendations below. Recommendations were closed for those who responded.

Recommendation	Status	Action Required
1. Implement frequent follow-up procedures for returned checks and any amounts not collected	Open Delinquent	Provide copy of (1) directive to the Office of the Treasurer requiring timely follow-up of returned

Recommendation	Status	Action Required
within a reasonable amount of time be written off or reserved for as a doubtful account. The CNMI may wish to consider contracting for collection services.		checks, (2) latest aging schedule of returned checks to evidence that timely follow-up are now being done, and (3) inquiry letter to the Attorney General's Office on the propriety of writing off balance of returned checks that are several years old as stated in auditee response.
3. Ensure that adjustments resulting from monthly bank reconciliations be posted to the general ledger.	Open Delinquent	Provide copy of directive assigning a person to be responsible for adjustments resulting from monthly bank reconciliations.
4. Review and clear on a regular basis general ledger accounts which are used as clearing accounts for unknown cash receipts.	Open Delinquent	Provide copy of (1) directive assigning a person to be responsible for reviewing and clearing general ledger accounts used as clearing accounts and (2) provide latest aging schedule of clearing accounts to evidence that Accounts 1198 and 1199 are now being cleared on a monthly basis as stated in auditee response.
5. Establish controls over cash by requiring all checks and related supporting documents received by air mail to be forwarded to Treasury immediately upon receipt.	Open Delinquent	Provide copy of directive instructing the CHC cashier on proper procedure of immediate turnover of checks received to Treasury as stated in auditee response.
7. Establish proper control over cash by restricting use of cash collected from any collection point, requiring reconciliation of collections on hand against receipts, and remitting all cash collections to Treasury on a timely basis.	Open Delinquent	Provide copy of directive instructing the designated cashier at the DEQ Office to establish proper control over cash as stated in auditee response.
8. Designate the Division of Procurement and Supply as a collection point with an established change fund and evidence its cash sales with the use of official cash receipts.	Open Delinquent	Provide copy of directive designating an official cashier and alternate at Procurement and Supply as stated in auditee response.
9. The Division of Revenue and Taxation review its system of record keeping and establish policies and procedures to ensure that tax returns are kept orderly, systematically, and are properly accounted for.	Open Delinquent	Provide copy of written policies and procedures to ensure that tax returns are kept orderly, systematically, and are properly accounted for.
10. The Division of Revenue and Taxation record revenues in the appropriate accounts and organizations.	Open Delinquent	Provide copy of directive requiring personnel of the Division of Revenue and Taxation to record revenues in the appropriate accounts and organizations.
15. The CNMI Customs Division establish policies to require use of computation worksheet for user fee assessments.	Open Delinquent	Provide copy of form devised by the Division of Custom Services to be used as a computation worksheet for user fee assessments as stated in auditee response.

Recommendation	Status	Action Required
16. The Customs Division implement procedures whereby all importers are charged excise taxes based on legally established rates.	Open Delinquent	Provide copy of result of (1) evaluation of the overall adequacy of the current harmonized code software vis-a-vis that provided by other vendors, and (2) research of specific audit exceptions and changes made in the harmonized code and/or internal procedures as stated in auditee response.
18. The CNMI Customs Division - Airport establish policies and procedures to ensure that invoices which support tax assessments, are provided by taxpayers.	Open Delinquent	Provide copy of written policies and procedures whereby assessments based on invoices are always followed up with the vendor for invoice submission, or goods will not be released without invoices as stated in auditee response.
19. The CNMI Customs Division enforce its tax assessment and cash receipt procedures.	Open Delinquent	Provide copy of directive reemphasizing enforcement of tax assessments and cash receipt procedures as stated in auditee response.
20. Implement regular billing procedures and adequate follow-up of receivables of the CNMI government for services performed that are reimbursable from outside entities.	Open Delinquent	Provide copy of written policies and procedures regarding billing and collection of reimbursables.
22. Establish controls over cash by requiring all collection points in Rota to remit cash collections to the Department of Finance on a daily basis.	Open Delinquent	Provide copy of directive instructing Rota collection points to make daily deposits with the Treasury as stated in auditee response.
23. As revised by OPA, instruct department initiating the obligation document to reconcile the encumbrance balances with the source documents.	Open Delinquent	Provide copy of instruction to all departments requiring monthly analysis of items in the encumbrance subledger (121-P) and submission to DOF of items that need to be deobligated. We suggest that the instruction be attached to the 121-P monthly given to each department.
24. Take the necessary steps to establish an automated travel advance subledger that is integrated with its general ledger. In the interim, manual subledgers should be reconciled to general ledger balances.	Open Delinquent	Provide copy of policies promulgated for writing off outstanding travel advances in excess of a designated time period in order to clear the system of many old and inactive accounts as stated in auditee response.
25. Segregate the functions within the disbursement system at Department of Finance - Rota.	Open Delinquent	Provide copy of reassignment of responsibilities within the disbursement system at Department of Finance - Rota as stated in auditee response.
26. Adhere to its procurement regulations.	Open Delinquent	Provide copy of written justification for sole source procurement of contract C40102 as stated in auditee response.
28. Record transactions of the Kagman Plant Industry through job orders and consider establishment of the Kagman Plant Industry as an internal service fund.	Open Delinquent	Provide copy of instruction requiring use of job orders when supplying plants to government departments as stated in auditee response.

Recommendation	Status	Action Required
29. Close out revenues and expenditures of the Reimbursable Fund and the NMI Territorial Income Tax Fund to receivable subledger balances and payable accounts on a monthly basis and reconcile these account balances.	Open Delinquent	Provide copy of result of review of the adequacy of the Dilog General Ledger report formats to determine if more frequent close-out of the reimbursable funds will not denigrate controls as stated in auditee response.
30. Analyze the composition of the Private Grants Fund, establish the Fish and Game Conservation Fund as a separate fund, and make any additional adjustments.	Open Delinquent	Provide evidence on a Fish and Game Conservation Fund established as stated in auditee response.
31. Develop policies and procedures to ensure password security is maintained.	Open Delinquent	Provide copy of (1) security plan and policy developed and (2) directive assigning an EDP staff member as Security Manager as stated in auditee response.
32. The CNMI Division of Electronic Data Processing develop a disaster recovery plan.	Open Delinquent	Provide copy of (1) a formal disaster recovery plan developed and (2) directive assigning a project manager to lead the in-house development of the plan as stated in auditee response.
34. CHC develop control procedures for the proper accounting of meal tickets.	Open Delinquent	Provide copy of CHC's internal policies and procedures for the proper use and accounting of meal tickets as stated in auditee response.
36. Obtain financial statements and consider making appropriate equity adjustments to the Pacific Islands Development Bank investment balance on an annual basis.	Open Delinquent	Provide copy of accounting adjustments to the general ledger for investment in the Pacific Islands Development Bank as stated in auditee response.
37. Implement procedure whereby all ordering divisions are contacted on a regular basis to determine the status of items for which an advance payment had been made.	Open Delinquent	Provide copy of procedure regarding regular monitoring of advances.
38. Establish proper physical control over supplies inventory by documenting transfers on receiving and issuance reports, through periodic physical counts and by agreeing amounts to general ledger balances. Additionally, proper costing records should be maintained, annual physical counts should be taken, and inventory should be recorded on the financial statements.	Open Delinquent	Provide copy of policy established to properly control supplies inventory. The policy should include reconciliation of physical inventory to the general ledger inventory balance.
39. CHC establish controls over supplies inventory and train personnel involved in the physical inventory count.	Open Delinquent	Provide copy of directive to CHC employees on observing cut-off procedures when counting inventory items as stated in auditee response.
41. CHC establish policies and procedures requiring detailed physical inventory reports and reconciliation of physical inventory to the general ledger inventory balance.	Open Delinquent	Provide copy of written policies and procedures requiring detailed physical inventory reports and reconciliation of physical inventory to the general ledger inventory balance.

Recommendation	Status	Action Required
43. Perform an inventory of its fixed assets for recording of all assets in the General Fixed Assets Account Group	Open Delinquent	Provide copy of the revised Property Management and Accountability Procedures as stated in auditee response.
44. Take the necessary steps to monitor deposits.	Open Delinquent	Provide copy of written policies to monitor deposits.
45. Perform periodic reconciliations of general ledger liability control totals.	Open Delinquent	Provide copy of (1) directive assigning an accountant to reconcile the liability accounts in the general ledger and (2) results of research on the possibility of modifying CAPPs software to more readily provide a subledger report for the general ledger vouchers payable account as stated in auditee response.

CNMI Single Audit

Independent Auditor's Report on Compliance with Laws and Regulations

Year Ended September 30, 1994

OPA Control No. CO-95-01

Date(s) of followup letter(s) sent : Various addresses 7/18-19/95, 7/2/96

Date(s) of response letter(s) received: No response received for the open recommendations below.
Recommendations were closed for those who responded.

Recommendation	Status	Action Required
4. Division of Environmental Quality (DEQ) comply with cost principles established under OMB Circular A-87. [U.S. Environmental Protection Agency (EPA)/Division of Environmental Quality/CFDA #66.600]	Open Delinquent	Provide copy of directive requiring DEQ's compliance with cost principles established under OMB Circular A-87.
11. CNMI file the required annual reports to the Equal Employment Opportunity Commission (EEOC) and applicable Federal funding agencies. [Civil Rights - All Programs]	Open Delinquent	Provide copy of directive requiring grantee agency to file the required annual reports to the EEOC and applicable Federal funding agencies.
13. DOF prepare the SF-269s in advance of the reporting deadlines to anticipate unexpected delays. [Federal Financial Reports - Nutrition Assistance/CFDA #10.551]	Open Delinquent	Provide copy of written procedures to ensure NAP grantor agency reports are submitted in a timely manner as stated in auditee response.
14. DOF implement procedures that ensure all federal financial reports are filed in a timely manner. [Federal Financial Reports - Coastal Zone Management/CFDA #11.419]	Open Delinquent	Provide copy of written procedures that ensure all CRMO grantor agency reports are prepared and submitted in a timely manner as stated in auditee response.
15. DOF implement procedures that ensure all federal financial reports are filed in a timely manner. [Federal Financial Reports - DEQ/CFDA #66.600]	Open Delinquent	Provide copy of written procedures that ensure all federal financial reports are filed in a timely manner as stated in auditee response.

Recommendation	Status	Action Required
17. DOF submit HCFA-64 reports on or before the deadline. [Federal Financial Reports - Medicaid/CFDA #13.778]	Open Delinquent	Provide copy of written procedures to ensure HCFA-64 reports are submitted on a timely basis as stated in auditee response.
18. DOF submit PMS-272 on or before the prescribed deadline. [Federal Financial Reports - Medicaid/CFDA #13.778]	Open Delinquent	Provide copy of written procedures to ensure timely submission of PMS-272 as stated in auditee response.
19. DOF establish procedures to ensure the timely reconciliation of records between two locations. [Federal Financial Reports - Medicaid/CFDA #13.778]	Open Delinquent	Provide copy of written procedures to ensure timely reconciliation of records between two locations as stated in auditee response.
20. DOF establish reconciliation procedures to ensure the accurate reporting of grant expenditures to the grantor agency. [Federal Financial Reports - Medicaid/CFDA #13.778]	Open Delinquent	Provide copy of written procedures to ensure timely reconciliation of all federal financial reports to ensure accurate reporting to the grantor agency as stated in auditee response.
21. DOF adhere to prescribed policy of contract approvals. [Allowable Costs/Cost Principles - Division of Environmental Quality/CFDA #66.600]	Open Delinquent	Provide copy of written policies requiring compliance with the prescribed policy of contract approvals as stated in auditee response.
22. DEQ expend award funds only as stipulated under OMB Circular A-87, "Cost Principles for State and Local Governments," and contact the Grantor to determine if any liability exist for this expenditure. [Allowable Costs/Cost Principles - Division of Environmental Quality/CFDA #66.600]	Open Delinquent	Provide copy of procedures to ensure that award funds are spent only as stipulated under OMB Circular A-87.
24. Grant administrator of EPA Consolidated Grant contact the grantor agency to confirm applicability of the requirement to the CNMI, and if found applicable, begin using recycled paper for all required reports. [Types of Services Allowed or Unallowed - DEQ/CFDA #66.600]	Open Delinquent	Provide copy of letter of grant administrator to the grantor agency inquiring about the applicability of the recycled paper provision in the CNMI as stated in auditee response.
33. DEQ complete and submit to the Grants Management Section, P-2-2, a MBE/WBE Utilization Report (Standard Form 334), within 30 days after the end of the Federal fiscal year, i.e., by October 30 of each calendar year. [Reporting - DEQ/CFDA #66.600]	Open Delinquent	Provide copy of MBE/WBE Utilization Report for the federal fiscal year 1994.
34. CNMI enter into subgrant agreements with subrecipients which specify the terms and conditions of these grants. [Monitoring Subrecipients - All Programs]	Open Delinquent	Provide copy of procedures on how the subgrant agreements will be entered into.
35. CNMI put in place a system that would assure OMB Circular A-128 audits are performed on all subrecipients and ensure that desk reviews	Open Delinquent	Provide copy of written procedures to ensure that OMB Circular A-128 and desk reviews are performed on all subrecipients.

Recommendation	Status	Action Required
<p>are performed on all subrecipients. [Monitoring Subrecipients - All Programs]</p>		
<p>37. NAP comply with the terms of the Redemption Agent contract and procedures be formulated to ensure the transfer of funds to the bank account as required. [Special Test and Provisions related to NAP - Nutrition Assistance/CFDA #10.551]</p>	<p>Open Delinquent</p>	<p>Provide copy of result of review of redemption agent contract for proposed changes due to implementation of the Cash Management Improvement Act in fiscal year 1995 as stated in auditee response.</p>
<p>38. DOF follow prescribed policies that all transactions should be properly supported by competent evidential matter. Although the exception is a recurring monthly payment of rent in accordance with a properly approved agreement, it is the client's practice to attach a recurring payment form to the accounts payable voucher to evidence validity. [Purchases/Disbursements - DEQ/CFDA #66.600]</p>	<p>Open Delinquent</p>	<p>Provide copy of directive requiring attachment of recurring payment forms to the accounts payable vouchers as stated in auditee response.</p>
<p>40. DOF establish a system to ensure that payments are made only to the proper contracted companies. [Purchases/Disbursements - HPC/CFDA #20.205]</p>	<p>Open Delinquent</p>	<p>Provide copy of directive instructing the Federal Grants division of Finance and Accounting to carefully review accounts payable vouchers to ensure the proper vendors are paid as stated in auditee response.</p>
<p>42. CNMI compile the equipment listings which will meet the federal requirements. [Property and Equipment - All Programs]</p>	<p>Open Delinquent</p>	<p>Provide copy of policies of the new inventory/valuation system as stated in auditee response.</p>