

Report on CNMI Agencies' Implementation of  
**Audit Recommendations**  
As of June 2001

Office of the Public Auditor  
Commonwealth of the Northern Mariana Islands



# EXECUTIVE SUMMARY

## Report on CNMI Agencies' Implementation of Audit Recommendations

As of June 30, 2001

### Summary

1 CMC §2307 established the Interagency Audit Coordinating Advisory Group (Coordinating Group) to "... review all audit reports of the Public Auditor..." and to "...discuss the manner in which audit recommendations can be implemented with the assistance of the members of the 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, the Coordinating Group shall 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.

The Office of the Public Auditor (OPA), in conjunction with the Coordinating Group, 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 which presents the audited agencies' compliance with OPA's recommendations.

Both open and resolved audit recommendations are included in OPA's tracking system. In addition, we also include recommendations which have been 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.

Between January and June 2001, OPA issued four audit reports to various departments and agencies of the Commonwealth Government (the Northern Mariana Islands Retirement Fund, the Department of Lands and Natural Resources, the Department of Finance and the Office of the Governor) which set forth a total of 14 new recommendations. The 14 recommendations were in addition to the 162 recommendations outstanding at the beginning of the year, making a total of 176 recommendations tracked for the first half of the year. Of the 176 recommendations, 58 were closed and 118 remain either open or resolved as of June 30, 2001. Of the 118 open or resolved recommendations, 45 are considered delinquent.

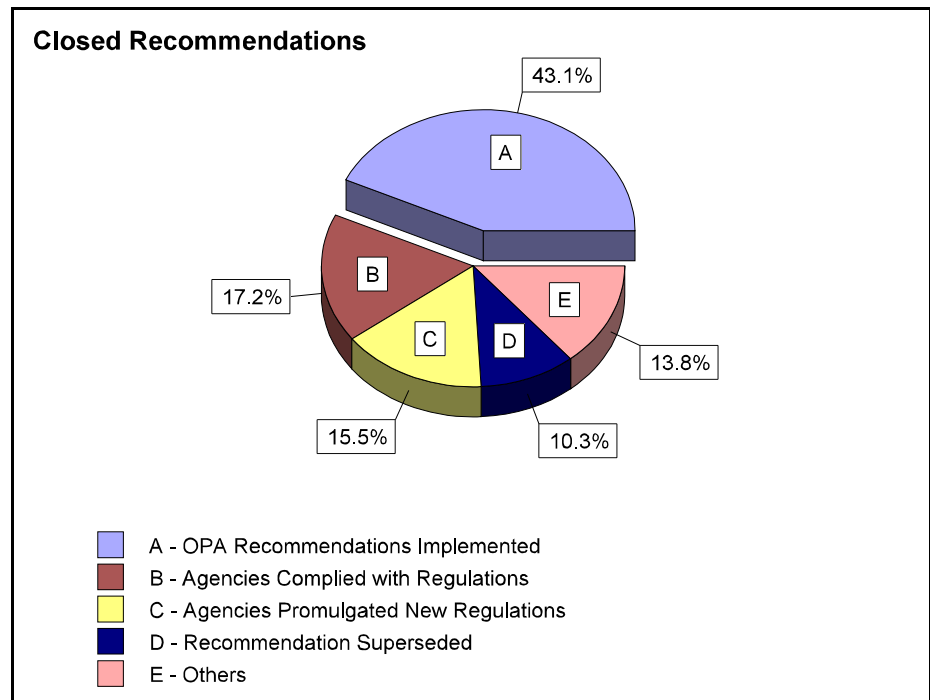
The following table presents the status of OPA's audit recommendations for the first six months of year 2001.

Status of Audit Recommendations	As of June 2001
Number of Audit Reports Issued, January to June 2001	4
Outstanding Recommendations, Beginning of Year	162
Recommendations Made, January to June 2001	14
Total Recommendations Tracked	176
Less: Closed Recommendations	(58)
Outstanding Recommendations as of June 30, 2001 (Open or Resolved)	118
Number of Delinquent Recommendations	45



An analysis of the 58 closed recommendations for the first six months of 2001 showed that most were closed largely because agencies acted on them by implementing the recommendations or taking alternative courses of action to address the recommendations, drafting policies and procedures, and issuing memoranda or directives to reiterate compliance with existing laws and regulations.

The chart below shows a breakdown of the 58 closed recommendations classified as to actions taken by the agency which led to the closure of the recommendations.



Recommendations issued by private CPA firms are also included in OPA's audit recommendations tracking report. A total of 12 audit reports have been issued by the private firms, relating to agencies' internal control structures and compliance with laws and regulations. These reports set forth a total of 120 recommendations. Of the 120 recommendations, 17 have been closed and 103 remain either open or resolved. Of the 103 open or resolved recommendations, 54 are considered delinquent as of June 30, 2001.

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



*A copy of the entire report is available at the Office of the Public Auditor*

Michael S. Sablan  
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) 234-6481  
Fax No. (670) 234-7812



# Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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

2nd Floor J. E. Tenorio Building, Chalan Pale Arnold  
Gualo Rai, Saipan, MP 96950

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

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

Phone: (670) 234-6481  
Fax: (670) 234-7812

## REPORT ON CNMI AGENCIES' IMPLEMENTATION OF AUDIT RECOMMENDATIONS AS OF JUNE 30, 2001 (with agency responses up to October 22, 2001 incorporated)

December 5, 2001

Interagency Audit Coordinating Advisory Group  
Saipan, MP 96950

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 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 laws or regulations which it finds necessary or desirable as a result of its work with the Public Auditor.

The Office of the Public Auditor (OPA), in conjunction with the Coordinating Group, maintains an audit recommendation tracking system to monitor implementation and resolution of audit recommendations.

Both open and resolved audit recommendations are included in OPA's tracking system. In addition, we also include recommendations which have been 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 Recommendations**

For the first six months of 2001, OPA issued four audit reports to various departments and agencies of the Commonwealth Government (the Northern Mariana Islands Retirement Fund, the Department of Lands and Natural Resources, the Department of Finance and the Office of the Governor) which set forth a total of 14 recommendations. The 14 recommendations were in addition to the 162 recommendations outstanding at the beginning of the year, making a total of 176 recommendations tracked for the first half of the year. Of the 176 recommendations, 58 were closed and 118 remain either open or resolved. Of the 118 open or resolved recommendations, 45 are considered delinquent. The following table presents the status of all our audit recommendations for the first six months of year 2001.

Status of Audit Recommendations	As of June 2001
Number of Audit Reports Issued, January to June 2001	4
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Number of Delinquent Recommendations	45

In addition, OPA issued its decisions on three appeals which include the procurement of a food coupon issuing agent for the Nutrition Assistance Program, and the procurement of copying machines and the 80 megawatt power plant both for the Commonwealth Utilities Corporation. OPA also issued compilation reports on the Department of Public Works' contract for the corrections facility and the Division of Customs' hiring of a trainee.

### **Closed Recommendations**

An analysis of the 58 closed recommendations for the first six months of the year 2001 showed that most were closed largely because agencies acted on them by implementing the recommendations or taking alternative courses of action to address the recommendations, drafting

policies and procedures, and issuing memoranda or directives to reiterate compliance with existing laws and regulations. The following table shows a breakdown of the 58 closed recommendations classified as to actions taken by the agency which led to the closure of the recommendations.

Actions Taken to Close Recommendations	No. of Closed Recommendations
Exact Implementation of Recommendation; Alternative Actions Taken;	
Drafting of Policies and Procedures; and Issuance of	25
Memoranda	9
Adoption of Revised Procurement Regulations	5
Provided Proof of Compliance with Vehicle Regulations	5
Provided Proof of Compliance with Time and Attendance	4
Will Not be Pursued for Justifiable Reasons	3
Recovery of Monies Improperly Disbursed	3
Policy Decisions	2
OPA to Act on Agency Responses	2
Dropped	
Total for the Year	58

After the Report on the CNMI Agencies' Implementation of Audit Recommendations as of December 31, 2000 was released in April 2001, the Tinian Casino Gaming Control Commission and the Medical Referral Office met with OPA in an effort to close the outstanding recommendations pertaining to them. In addition, the adoption of the revised procurement regulations in May 2001 addressed nine recommendations previously included in four audit reports. In August 2001, OPA sent follow-up letters requesting various government agencies to provide information concerning action taken in addressing outstanding recommendations. Government agencies such as the Commonwealth Ports Authority, the Department of Public Safety, the Emergency Management Office and the Office of Management and Budget met with OPA to discuss and clarify actions to be taken to close outstanding recommendations. This report incorporates the results of those meetings and the responses to follow-up letters received by OPA on or before October 22, 2001.

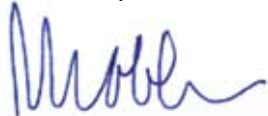
We include recommendations issued by private CPA firms to the report. As of October 2001, CPA firms issued 12 audit reports on the internal control structure and compliance with laws and regulations, 10 of which set forth a total of 120 recommendations. Of the 120 recommendations,

17 were closed and 103 remain either open or resolved. Of the 103 open or resolved recommendations, 54 are considered delinquent.

We appreciate the actions taken by the various government agencies to address outstanding audit recommendations. These actions resulted in the closure of more recommendations and the reclassification of delinquent recommendations to active status.

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

Sincerely,



Michael S. Sablan  
Public Auditor

xc: Governor Pedro P. Tenorio  
Lt. Governor Jesus R. Sablan  
Members, Twelfth CNMI Legislature (25 copies)  
Local Media

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# Executive Branch Offices

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Office of the Governor  
Department of Community and Cultural Affairs  
Department of Finance  
Department of Lands and Natural Resources  
Department of Public Health  
Department of Public Safety  
Department of Public Works

# Office of the Governor

**I. Report No. AR-97-01 issued February 27, 1997  
Expenditures of the Marianas/Hawaii Liaison Office**

Date(s) of followup letter(s) sent : 7/09/97, 11/12/97, 2/02/98, 9/17/98 (AGO) (DOF), 9/21/98 (DPH), 11/23/99 (DOF), 11/23/99 (DPH), 1/26/99 (AGO), 1/5/2000 (AGO), 7/6/00 (DPH), 7/13/00 (DOF), 9/14/00 (DOF), 1/19/01 (DOF), 1/30/01 (DPH), 8/22/01 (DPH)

Date(s) of response letter(s) received : 8/26/97 (M/HLO), 1/29/97 (DOF), 12/27/99 (DPH), 1/11/2000 (DOF), 7/16/00 (DOF), 11/14/00 (meeting with Coordinating Group on DPH), 11/21/00 (meeting with Coordinating Group on DOF), 11/21/00 (DOF), 2/16/01 (meeting with DOF), 9/11/01 (DPH), 10/22/01 (DPH)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Liaison Officer should coordinate with the Secretary of Public Health to develop and implement written policies and procedures on ticket upgrades, hotel accommodations, and funeral services.	DPH	Closed	<p>In his 10/22/01 response, the DPH Secretary provided OPA with the proposed amendments to Section X.5.3 of the Medical Referral Rules and Regulations on ticket upgrades. In addition, the DPH Secretary stated that DPH does not recommend any changes to Section X.5.5 of the Medical Referral Rules and Regulations on hotel accommodations due to the CNMI government's financial condition. For referrals to Hawaii, the CNMI government has arranged prepaid accommodations for patients and escorts with a Honolulu hotel operator, at a bulk rate discount. For medical referrals outside Hawaii, the Medical Referral Office (MRO) has been arranging accommodations for patients and escorts through the referral facility. MRO does not issue cash allowances to patients and escorts for hotel accommodations.</p> <p>The proposed amendments to Section X.5.3 on ticket upgrades and the information provided as to Section X.5.5 on hotel accommodations are sufficient to consider the recommendation closed.</p>
11. <i>Original:</i> The Secretary of Finance should assign a DOF staff member to verify the status of receivables from two families for funeral expenses amounting to \$2,183 and \$3,316, respectively, and pursue collection if still outstanding.	DOF - Redirected to DPH	Closed	<p>In his 10/22/01 response, the DPH Secretary provided OPA a copy of the Receivable Ledger from the Department of Finance which showed three installment payments on the funeral expenses totaling \$2,183. Based on the ledger, the account has been paid in full.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<i>As Redirected to DPH:</i> The Medical Referral Office (MRO) under DPH should verify the status of receivables from two families for funeral expenses amounting to \$2,183 and \$3,316, respectively for a total of \$5,499, and pursue collection if still outstanding.			<p>DPH, however, is unable to confirm if a promissory note was issued to collect on the funeral expenses of \$3,316. DPH also stated that it might be difficult to pursue collection because the CNMI government failed to bill the patient's family. In addition, DPH raised concerns regarding the statute of limitations.</p> <p>No further action is required on the \$2,183 in funeral expenses. We also consider it impractical to take further action to collect the \$3,316 in view of the statute of limitations. However, in the future, DPH should ensure that promissory notes are issued as proof of its receivables from the responsible parties, and always bill responsible parties even in the absence of promissory notes.</p>

## 2. Report No. AR-97-II issued August 12, 1997

### 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)  
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)

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>	DOF - Redirected to AGO	Resolved Active	<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><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>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</p>

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

**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.

**3. Report No. AR-98-05 issued August 18, 1998  
Audit of Professional Services Contract with the  
CNMI's Former Acting Attorney General  
October 1996 to August 1997**

Date(s) of followup letter(s) sent : 9/17/98, 11/23/99 (DOF), 1/26/99 (AGO), 1/5/00 (AGO), 7/13/00 (DOF), 1/17/01 (AGO), 1/19/01 (DOF), 8/15/01 (AGO, 8/21/01 (AGO) (DOF)

Date(s) of response letter(s) received : 2/00 (DOF), 11/9/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01 (AGO), 5/01 (DOF)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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<p>2. <i>Original:</i> Recover the \$35,125 in overpayments by requesting the Contractor to return the amount overpaid, and if the Contractor refuses, refer the case to the Attorney General for legal action.</p>	<p>DOF - Redirected to AGO</p>	<p>Resolved Active</p>	<p>The Contractor responded on 7/5/01. OPA reviewed the Contractor's written response to the report and ascertained that \$26,651 of the \$35,125 reported overpayment has already been repaid. In its 8/15/01 letter, OPA has requested AGO to make a legal determination whether or not the Contractor's explanation for the remaining balance of \$8,474 is sufficient to satisfy pursuit of any further claim.</p>
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*As Revised and Redirected to the AGO:* Determine appropriate legal action to be taken to pursue collection of the \$35,125 in overpayment (Contract No. C60376).

**Further Action Needed**

AGO should provide OPA its opinion as to whether legal action can and will still be pursued to recover the balance of \$8,474 in overpayments.

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
4.	Take action to address our pending recommendations relating to the development and implementation of written policies and procedures limiting advance payments and regulating costs (refer to OPA AR-97-05 report).	DOF	Closed	The revised CNMI Procurement Regulations which were adopted in May 2001 completely addressed both recommendations 4 and 5.
5.	Pursue revision of the CNMI Procurement Regulations which had been started and then suspended by the previous administration.	DOF	Closed	

**4. 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 (Legislature)  
Date(s) of response letter(s) received : None

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
1.	The Governor issue a memo emphasizing that when government departments and agencies procure vehicles (including vessels) and other capital equipment, they must also provide a plan which includes budgetary provisions for maintenance and upkeep throughout the expected useful life of the assets.	Office of the Governor	Closed	On 3/21/01, the Governor issued a memo to departments and agencies advising them to review their current budgets and find ways to allocate funding so that they can adhere to preventive maintenance schedules and timely repair of assets. He also urged them to include funds for the repair and maintenance of vehicles and assets when they submit their budget requests. The copy of the memo provided by the Office of the Governor is sufficient to close the recommendation.
2.	The Governor issue a memo advising heads of government departments and agencies that, according to 1 CMC § 7406(a)(5) of the Commonwealth Code, boats are to be treated as vehicles and therefore may not be used for other than official government business.	Office of the Governor	Closed	In the Governor's 3/21/01 memo, he advised departments and agencies that the use of government boats is also restricted by public law. He advised that such vessels could be used only for official government business, and that any unauthorized use would violate CNMI law and would be dealt with accordingly. The copy of the memo provided by the Office of the Governor is sufficient to close the recommendation.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. The Director of the Division of Procurement and Supply re-advertise this vessel for sale worldwide, rather than just locally, so as to maximize the return on the sale of the vessel.	DOF-P&S	Closed	On 2/7/01, the Director of the Division of Procurement and Supply advised us that it had reconsidered its decision to sell the vessel, and that it now planned to turn the boat over to the Department of Fish and Wildlife instead. He stated that he would ensure that the Department of Fish and Wildlife developed a plan for the use and maintenance of the vessel. Based on the information provided by P&S, this recommendation will be dropped.
4. The Attorney General issue appropriate administrative sanctions against a former official of the Office of Management and Budget for violating the Planning and Budgeting Act.	AGO	Closed	In a letter dated 4/2/01, the Attorney General advised that while this reprogramming action did indeed violate the Planning and Budgeting Act, the Act provides no sanction or remedy for this violation. Consequently, AGO is unable to take appropriate action because evidence was not presented showing that the reprogramming action itself involved a clear waste and abuse of government funds. The Attorney General stated, however, that this illegal action and our report clearly identified a defect in the Act, and agreed to support legislative action to amend the law. We agree with his position that legislation should be introduced to amend the Act. Based on the information provided by AGO, this recommendation will be dropped.
5. The Secretary of Finance should reexamine the implementation of its Property Management and Accountability Policy to ensure that: <ul style="list-style-type: none"> <li data-bbox="248 1493 626 1673">a. the Division of Procurement and Supply maintains a master inventory control over personal property and conducts an annual inventory of all such personal property;</li> <li data-bbox="248 1711 602 1829">b. agencies and departments properly affix a control number to all property they maintain; or</li> <li data-bbox="248 1866 574 1892">c. DOF revises its policy to</li> </ul>	DOF	Closed	On 2/14/01, the Secretary of Finance agreed that P&S would conduct an annual inventory and maintain a master inventory control record. The Secretary, however, believes that P&S, rather than agencies and departments, should affix control numbers to property items, and we agree as long as it gets done. The Secretary also sees no need to revise its policy, and we agree such action is unnecessary as long as P&S affixes control numbers to property items. The information provided by DOF is sufficient to close the recommendation.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
accommodate property considered integral to the primary equipment.			
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 re-programs government funds or receives illegally reprogrammed funds will be held personally liable for the amount of the reprogramming action.	CNMI Legislature	Open Active	<p>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. Recommendation No. 6 was therefore added for the Legislature to adopt.</p> <p><b>Further Action Needed</b></p> <p>The CNMI Legislature should provide OPA a copy of the amended Planning and Budgeting Act upon its adoption wherein a provision is added to 1 CMC § 7402(a)(2) making any CNMI Government employee who illegally re-programs government funds or receives illegally reprogrammed funds personally liable for the amount of the reprogramming action.</p>

# Department of Community and Cultural Affairs

**I. Report No. LT-99-08 issued October 26, 1999  
 Audit and Investigation - Misuse of Resources  
 DCCA - Office of Aging  
 January 1998**

Date(s) of followup letter(s) sent : 11/22/99, 7/6/00, 1/30/01, 8/22/01  
 Date(s) of response letter(s) received : 10/3/00 (meeting with the Coordinating Group on DCCA)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. Develop and implement written policies and procedures regulating inventory control and accountability of all food stores.	DCCA	Open Delinquent	The DCCA Secretary requested OPA to furnish him the names of employees in question (because these were expunged from the report for confidentiality purposes).
2. Restrict employees from admittance and/or use of the facilities and vehicles for other than lawful government-approved business or activities.	DCCA	Open Delinquent	In our follow-up, we found that the Office had revised some of the forms regulating inventory control and accountability of all food items from the Office stores, and had restricted custody of keys to the Office kitchen and food stores. However, inventory controls can be strengthened further by establishing inventory balance records where actual counts should be reconciled. DCCA may consider adopting the suggested inventory control forms presented in the audit report.
4. Institute appropriate adverse actions against the Office of Aging's (Office) former Accountant and Kitchen Supervisor in accordance with personnel regulations.	DCCA	Open Delinquent	

Also, pursuant to our recommendation, the former Acting DCCA Secretary proposed an adverse action to terminate the employment contract of the former Accountant. The then-Acting Director of Personnel reviewed and supported the proposed adverse action. The proposal, however, did not materialize. Nevertheless, the former Accountant resigned/retired effective August 29, 1998. With regard to the Kitchen Supervisor, he was neither removed (which was the appropriate penalty for participating in the misuse of government properties based on personnel regulations) nor reprimanded.

On August 12, 1998, a criminal case arising from our investigation was referred to the Attorney General's Office (AGO). On August 13, 1998, the suspect was charged in

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>a criminal case concerning another violation of criminal law for theft of payroll, which arose from a separate OPA investigation. Although no criminal case was filed on the charges covered by this investigation, the former Accountant entered a plea of guilty on one count of Misconduct in Public Office (6 CMC § 3202) for directing another to use a government vehicle for a private, non-governmental purpose (one of the charges in this investigation), in conjunction with her guilty plea for theft of payroll in CNMI Criminal Case No. 98-323B. Also, the total amount of restitution by the former Accountant in that criminal case of \$4,230.40 was increased by \$200 to charge the value of theft of food items disclosed in this investigation. Based on available documents, restitution payments by the former Accountant totaled \$2,000.</p> <p>During the 10/3/00 meeting with the Coordinating Group, the DCCA Secretary agreed to provide OPA documents showing that inventory control forms are being used for its food supplies and records are being maintained. The DCCA Secretary also agreed to provide to employees a copy of the memorandum regulating the use of the facilities at the Office of Aging, and agreed to verify whether the time limitation for issuing adverse actions has expired.</p> <p><b>Further Actions Needed</b></p> <p>Recommendation 1 - Provide OPA a copy of the written policies and procedures.</p> <p>Recommendation 2 - Provide OPA a copy of written instruction to the Office of Aging employees.</p> <p>Recommendation 4 - Provide OPA a copy of the document evidencing institution of appropriate adverse action (i.e., removal) against the Kitchen Supervisor if still appropriate.</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)  
 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)

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>	<p>DOF - Redirected to AGO</p>	<p>Resolved Active</p>	<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 September 27, 2000, 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 referred the matter to the AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p><b>2. Report No. AR-98-06 issued December 14, 1998</b>  <b>Department of Finance</b>  <b>Audit of Misuse of Funds by the Former Secretary of Finance</b>  <b>Fiscal Years 1995, 1996, and 1997</b></p>			<p>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><b>Further Action Needed</b></p> <p>The AGO should notify OPA of the results of the action taken to pursue collection of the \$6,302 in overpayment (\$5,975 for tardiness and absences, and \$327 excess overtime).</p>
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)	
Date(s) of response letter(s) received	:	1/20/00 (AGO), 3/9/01 (AGO)	

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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.</p>	DOF and AGO	Resolved Active	<p>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.</p> <p>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.</p>
			<p><b>Further Action Needed</b></p> <p>DOF should provide OPA proof of collection</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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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 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  
Date(s) of response letter(s) received : 12/7/00 (meeting with Coordinating Group on DOF), 10/1/01 (DOF)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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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 Active	The 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.
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In the 10/1/01 response from DOF, the Secretary of Finance stated that DOF will submit documentation of internal control procedures as required by the audit.

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
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 Active	<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-01-01 issued April 25, 2001**  
**Department of Finance**  
**Audit of Government Revenues from the CNMI Lottery Operations**  
**For the Third Quarter of Fiscal Year 1999, Ended June 30, 1999**

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

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
1.	The Secretary of Finance should request that Operator A correct its records and transmit to DOF the unremitted revenues of \$7,584.	DOF	Closed	<p>In a 12/27/00 response from DOF, and in a subsequent meeting held at the DOF office, the Secretary of Finance stated that Operator A was instructed via facsimile on 12/20/00 to transmit to DOF the unremitted revenues of \$7,584. DOF subsequently provided OPA with a copy of the bank statement reflecting deposit of the above amount to the CNMI lottery bank account on 12/28/00. The information and copy of the bank statement provided by DOF are sufficient to close the recommendation.</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of Finance should address our pending recommendation on initiating action to implement the adopted amendments relating to control procedures established to ensure completeness of government revenues received from the Number Game (Jueteng) operators (Rule 24 - Jueteng Documentation and Record-Keeping; and Rule 25 - Game Rules for Jueteng Game).	DOF	Closed	In a 12/27/00 response from DOF, and in a subsequent meeting held at DOF, OPA learned that the Secretary of Finance initiated action to implement the adopted amendments by providing Operator B with a copy of the adopted amendments. Operator B partially implemented the use of the recommended log sheets, and DOF requested OPA to assist it and Operator B in fully implementing the adopted amendments. A series of meetings was held in March 2001 by DOF, OPA, and Operator B for this purpose. Based on the action taken by DOF and the series of meetings held in March 2001 by DOF, OPA, and Operator B, we consider this recommendation closed.
3. Provide the basis for concluding that Agency A was an agent of Operator A, and therefore should not be issued a lottery license. The conflict between the Lottery Act (1 CMC §9313(d) which specifically prohibits assignment of a license) and the Lottery Regulations (which allow transfer upon DOF's prior written consent) should be resolved by a legal opinion of AGO. Also, Operator A's business relationship with Agency A (whether a full service retail agency of Operator A) and Agency A's status as a lottery operator should be further reviewed (these issues have already been raised in DOF's various letters to Operator A), because neither Operator A nor Agency A agrees that Agency A is an agent of Operator A.	DOF	Closed	In a 12/27/00 response from DOF, and in a subsequent meeting held at DOF, the Secretary of Finance provided OPA copies of the Assistant Attorney General's (AAG) 3/15/00 letter and Operator A's 6/27/00, letter, discussing the current status of Operator A's lottery license, to address the recommendation. The letters stated that it is the conduct of the Secretary and the Manager of Agency A, <i>i.e.</i> , DOF's authorization to Agency A for continued operation of the CNMI Lottery on behalf of Operator A for a 90-day period, that manifests their intention to continue the relationship on the terms and conditions initially set forth in the Assignment of Lottery License. Furthermore, although the Lottery Act and the Lottery Regulations conflict with regard to assignment of a license, the AAG's letter concluded that the Assignment of Lottery License entered into between DOF and Operator A was valid when signed by the parties, and pursuant to applicable law remains valid and in full force and effect since, pursuant to the language of this Agreement, the parties through their conduct have renewed and extended the Assignment at 90-day intervals from 6/30/98 through the current date. The copies of the letters provided by DOF are sufficient to close the recommendation.
4. Recover the commissions which	DOF	Closed	In the 12/27/00 response, and in a

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
DOF acknowledges are due from Operator C for Agency B's failure to declare revenues from operations.			subsequent meeting held at the DOF office, the Secretary of Finance stated that AGO is currently investigating the case of Agency B's operations. With regard to the undeclared revenues from Agency B's operations, DOF stated that the revenues were derived from operation of games not related to Jueteng, and therefore the revenues should be subject to gross receipts tax which will be determined by the Division of the Revenue and Taxation, and not be subject to commissions from lottery operations. Based on the information provided by DOF, we consider the recommendation closed.

# Department of Lands and Natural Resources

**I. Report No. AR-95-16 issued September 21, 1995  
Review of Internal Controls of the Department of Lands and Natural Resources**

Date(s) of followup letter(s) sent : 7/16/96, 11/29/96, 12/3/96, 2/02/98, 9/18/98, 11/23/99, 7/6/00, 1/24/01, 8/20/01  
 Date(s) of response letter(s) received : 10/30/00, 10/31/00 (meeting with Coordinating Group on DLNR), 10/01/00

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
8. The Secretary of DLNR should develop and implement written policies and procedures to properly manage collections.	DLNR	Closed	On 10/01/01, the DLNR Secretary issued a memorandum (Directive No. 35) to the Acting Director of the Division of Animal Health establishing policies and procedures to manage collections. The memorandum completely addressed the recommendation.

**2. 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  
 Date(s) of response letter(s) received : 10/31/00 (meeting with Coordinating Group on DLNR)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The DFW Director should comply with local rules and regulations for the granting of administrative and educational leave. This would result in fairness and equity for all government employees if government offices follow the same guidelines for granting administrative leave.	DLNR	Resolved Delinquent	The DLNR Secretary and the DFW Director agreed with the recommendation. Although the Director is unable to grant administrative or educational leave to the two employees on limited-term status, he is taking every measure to ensure compliance with local rules and regulations. These include: (1) requiring the DFW employees to apply for annual leave for the purpose of attending classes during working hours; (2) meeting with representatives from OPM and the Office of the Attorney General to address the Division's needs to allow for conversion from Limited Term Appointment to Permanent Status of these employees participating in the Pacific Islands Education Initiative (PIEI); and (3) routing a Request for Personnel

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The DLNR Secretary and the DFW Director must comply with the PSSRR sections for granting educational leave, such as requiring that educational leave must be approved by the Personnel Officer based on a recommendation by the DLNR Secretary.	DLNR	Resolved Delinquent	<p>Action for these employees.</p> <p>During the 10/31/00 meeting with the Coordinating Group, the DFW Director agreed to provide the needed information to close Recommendation nos. 1 and 2.</p> <p><b>Further Action Needed</b></p> <p>Recommendation 1 - Provide evidence that DLNR has properly addressed this recommendation, e.g., copy of the memorandum instructing the employees to apply for annual leave to attend classes at NMC during working hours, their approved leave forms and Summary Time Sheets, memorandum to the timekeeper reiterating the need to comply with local rules and regulations particularly for the granting of administrative and educational leave.</p> <p>Recommendation 2 - Provide supporting documents, e.g., status of the meeting with representatives from OPM and the Office of the Attorney General, DFW's request from OPM and the employees' Notice of Personnel Action.</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.	DLNR	Open Delinquent	<p>During the 10/31/00 meeting with the Coordinating Group, the DFW Director stated that DFW is waiting for a response from its grantor agency and is in close communication with the federal grantors to establish clear guidelines for the PIEI in accordance with Grant Agreements and the MOU.</p> <p><b>Further Action Needed</b></p> <p>Provide documentation, such as correspondence with federal grantors and other Pacific Island recipients, and a copy of the completed PIEI Program.</p>
4. DFW should suspend its current arrangement with the two employees, pending resolution of the issues discussed in this report.	DLNR	Resolved Delinquent	<p>DFW concurs with the recommendation. By requiring the employees to apply for annual leave for the time spent in classes, DFW has suspended its arrangement of allowing them to use office hours or administrative leave for</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>5. Since the Pacific Islands Education Initiative was intended to benefit DFW and the CNMI through the development of local professionals, DFW should: (a) develop a well-defined basis for selecting candidates; (b) require candidates to complete a specified number of units to help them acquire a degree within a prescribed period; (c) comply with the cost-sharing agreement in the MOU; and (d) require the candidate to sign a contract with the local resource agencies which in this case are DLNR and OPM.</p>	DLNR	Open Delinquent	<p>attending classes. This initial step was taken so as not to hinder the employees' successful completion of the school term already in progress.</p> <p>During the 10/31/00 meeting with the Coordinating Group, the DFW Director informed OPA that only one employee is participating in the program and OPA will be provided a copy of the agreement with this employee.</p> <p><b>Further Action Needed</b></p> <p>DLNR should provide OPA a copy of the finalized contract with the one employee participating in the program.</p> <p>During the 10/31/00 meeting with the Coordinating Group, the DFW Director reiterated that they are in close communication with the federal grantors to redefine the MOU to specify the desires of both the Federal Government and the Local Division.</p> <p><b>Further Action Needed</b></p> <p>DLNR should provide OPA a copy of the approved guidelines of the PIEI addressing issues such as the basis for selecting candidates and the required units to be completed within a prescribed period. These should be in accordance with Grant Agreements and the MOU.</p>

**3. Report No. AR-01-02 issued March 22, 2001  
 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**

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. 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>a. The components that will comprise the actual Outer Cove Marina project cost.</p> <p>The Outer Cove Marina properties/facilities will be turned over to DLNR and to NPS 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>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>	DLNR	Open Active	<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><b>Further Action Needed</b></p> <p>Upon receipt of the Senate Oversight Committee's report and enactment of House Bill 12-250, the Secretary of DLNR should provide OPA a copy of the amended or substantially revised lease agreement, taking into account the components that will comprise the actual Outer Cove Marina project cost, 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, and the provisions in the lease agreement that it may no longer be practical to implement.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>b. 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 when (1) the lease agreement or the concession contract ends, or (2) 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>c. The provisions in the lease agreement that it 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>			

*An alternative course of action that DLNR and the CNMI Government can take is:*

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



# 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)

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)

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>	<p>DOF - Redirected to AGO</p>	<p>Resolved Active</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 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><b>Further Action Needed</b></p> <p>The AGO should notify OPA of the results of its review and if legal action to collect the \$4,282.02 taken from RHC funds will be pursued.</p>
<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>	<p>DOF</p>	<p>Resolved Active</p>	<p>The 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><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</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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 Active	<p>take steps to reject the claims and recover the money by directing the Acting Resident Director to take the appropriate action.</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 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><b>Further Action Needed</b></p> <p>The AGO should notify OPA of the results of its review and whether it will take legal action to pursue collection of the \$700 reimbursement for the cost of the washing machine.</p>

**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)

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)

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</p>	DOF - Redirected to AGO	Resolved Active	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.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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><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>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 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><b>Further Action Needed</b></p> <p>The AGO should notify OPA if it has filed suit to collect the unpaid balance of \$1,200 in charges for personal calls and advances from the former Executive Director.</p>
<p>6. <i>Original:</i> The Secretary of Public Health should ensure that local funds are not used to supplement federally funded programs, and admonish the former Secretary of Public Health and OMB officials for violating the CNMI Planning and Budgeting Act.</p> <p><i>As Revised and Redirected to the Department of Finance:</i> The Secretary of Finance should ensure that local funds are not used to supplement federally funded programs, as provided in 1 CMC §7504.</p>	<p>DPH- Redirected to the Department of Finance</p>	<p>Resolved Active</p>	<p>This recommendation was originally directed to the Secretary of Public Health but was redirected to the Office of the Governor. In September 2001, OPA was informed by the DOF Secretary that the Governor asked DOF to respond to this recommendation.</p> <p><b>Further Action Needed</b></p> <p>The Secretary of Finance should issue a memorandum to all Division Directors of the CNMI government about the restriction imposed by 1 CMC §7504 which prohibits reprogramming of local funds to finance federally funded programs if the local funds replace or supplement funds no longer available from the federal government.</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>DOF - Redirected to AGO</p>	<p>Resolved Active</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</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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>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><b>Further Action Needed</b></p> <p>The AGO should notify OPA if it has taken legal action to pursue collection of the remaining balance of \$764.40 in retroactive salary increase owed by the former Executive Director.</p>
<p>13. <i>Original:</i> The Secretary of Public Health should coordinate the activities of DDC by performing a periodic review of DDC's program operations and administrative services.</p>	<p>DPH- Redirected to the Office of the Governor</p>	Closed	<p>This recommendation was originally directed to the Secretary of Public Health but was redirected to the Office of the Governor because pursuant to Public Law 12-10 which was approved on August 3, 2000, the responsibility for administering the Developmental Disabilities programs was returned to the Office of the Governor. As such, the Office of the Governor is relying on the Development Disabilities Council which consists of 20 members to coordinate the activities of DDC and decide on matters such as compensation. On this basis, we are closing recommendations 13 and 14.</p>
<p><i>As Redirected to the Office of the Governor:</i> The Office of the Governor should coordinate the activities of DDC by performing a periodic review of DDC's program operations and administrative services.</p>			
<p>14. <i>Original:</i> The Secretary of Public Health should enforce compensation of the DDC Executive Director as a division director and not as a department or agency head.</p>	<p>DPH- Redirected to the Office of the Governor</p>	Closed	
<p><i>As Redirected to the Office of the Governor:</i> The Office of the Governor should enforce compensation of the DDC Executive Director as a division director and not as a department or agency head.</p>			

**3. Report No. LT-98-06 issued July 7, 1998  
Medical Referral Office's Reconciliation of  
Medical Claims with a Hawaii-based Hospital**

Date(s) of followup letter(s) sent : 9/17/98 (DOF), 9/21/98 (DPH), 11/23/99 (DPH) (DOF), 7/6/00 (DPH), 7/13/00 (DOF), 1/30/01, 5/21/01, 8/22/01  
Date(s) of response letter(s) received : 12/27/99 (DPH) (DOF), 11/14/00 (meeting with Coordinating Group on DPH), 11/21/00 (meeting with Coordinating Group on DOF), 5/8/01

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. <i>Original:</i> The Secretary of Health instruct the Medical Referral Officer to inform a Hawaii-based hospital to cancel \$219,024 in medical claims which had already been paid and \$74,090 in medical claims which were found to be properly chargeable to patients instead of MRO. Also, the Hawaii-based hospital should be instructed to offset the net overpayments of \$9,331 against outstanding claims, and adjust the mathematical errors of \$192.</p> <p><i>As Revised:</i> The Hawaii-based hospital should be instructed to offset the net overpayments of \$9,331 against outstanding claims, and adjust the mathematical errors of \$192.</p>	DPH	Closed	<p>During the 11/14/00 meeting with the Coordinating Group, the DPH Secretary provided OPA a copy of the Memorandum of Understanding (MOU) between DPH and the Hawaii-based hospital which summarized the results of reconciliation performed by the Medical Referral Office (MRO) and the adjustments found by OPA. The summary included \$219,024 in medical claims which had already been paid and \$74,090 in medical claims which were found to be properly chargeable to patients instead of MRO. The MOU provided by DPH is sufficient to close the part of the recommendation pertaining to the \$219,024 and \$74,090 in medical claims.</p> <p>For the remaining net overpayments of \$9,331 against outstanding claims, the 5/8/01 memorandum from the Director of the MRO provided a suitable alternative in lieu of drafting a separate MOU to reflect the audit recommendation. The net overpayments of \$9,331 against outstanding claims, and the adjustment of the mathematical errors of \$192 were incorporated into Section 1 of the agreement. The alternative action provided is sufficient to close the recommendation.</p>

**4. 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  
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 Active	<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 submit the proposed salary structure to CSC no later than 10/31/01. When approved by CSC, DPH will provide OPA a copy.</p> <p><b>Further Action Needed</b></p> <p>The Secretary of Public Health should provide OPA a copy of the revised salary structure of DPH after its approval by CSC.</p>

# Department of Public Safety

**I. Report No. AR-94-05 issued November 19, 1994**  
**Bureau of Motor Vehicles**  
**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  
 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)

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 Active	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 EDP programmers at the Department of Finance.	DPS	Resolved Active	<b>Further Action Needed</b>  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 2001, the target implementation date provided by DPS.
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 Active	

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

Date(s) of followup letter(s) sent : 12/3/96, 2/02/98, 9/17/98, 11/23/99, 7/13/00 (DOF), 1/19/01, 8/21/01 (DOF)  
Date(s) of response letter(s) received : 11/21/00 (meeting with Coordinating Group on DOF), 5/01 (DOF)

<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
3. The Secretary of DOF should publish and adopt amendments to the CNMI Procurement Regulations, which would (a) require that purchase requisition for items that are expensive (perhaps \$10,000 and above) and need to be attested by a technician should be signed by such staff, and (b) restrict sole source procurement to only when both local and off-island suppliers have been considered and surveyed by the requisitioning agency.	DOF	Closed	The revised CNMI Procurement Regulations which were adopted in May 2001 completely addressed the recommendation.



# 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)  
 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)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4.     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 Active</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><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>
<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</p>	<p>DOF - Redirected to AGO</p>	<p>Resolved Active</p>	<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</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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>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><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 AGO. 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><b>Further Action Needed</b></p> <p>AGO should inform OPA of the sentencing decision as a basis for determining the appropriate status of the recommendation.</p>

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# Municipalities

Offices of the Mayors

# Municipality of Saipan

**I. Report No. LT-99-02 issued January 27, 1999  
 Office of the Mayor  
 Audit of Time and Attendance at the  
 Saipan Mayor's Office Administrative Division and Mechanic Shop  
 May 22 and May 29, 1998**

Date(s) of followup letter(s) sent : 11/29/99, 7/6/00, 1/22/01, 8/22/01  
 Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
4. Comply with the CNMI Personnel Policies and the FLSA by disallowing the accumulation and use of compensatory time by executive, professional, and administrative employees.	SMO	Resolved Delinquent	<p>The Mayor disagreed with the recommendation to comply with the CNMI PSSRR and cited Civil Action 91-32. It was argued in Civil Action 91-32 that the Mayor's office is not within the Executive Branch and therefore not within the authority and scope of the Civil Service Commission. The Mayor concurred with the part of the recommendation to disallow compensatory time for administrative, professional and executive employees except when employees are required to perform other duties not within their job description. The Acting Chief Administrative Officer explained that if the recommendation is implemented, SMO will not allow overtime to FLSA-exempt employees but will authorize exceptions such as during the Annual 4th of July celebration where exempt employees will be allowed to accrue compensatory time.</p> <p>OPA agrees that SMO is not within the authority of the Civil Service Commission; however, we still believe that as a part of the CNMI government, SMO should establish personnel policies and procedures consistent with the CNMI Personnel Policies and the FLSA.</p> <p>Civil Action 91-32 does not prohibit SMO from implementing personnel policies and procedures which are the same as those established by the CNMI Government. We therefore amend our recommendation to</p>

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

add that the Mayor may make exceptions in granting compensatory time to overtime-exempt employees. However, accrual of compensatory time should be at the regular rate, not at a time-and-one-half rate.

***Further Action Needed***

SMO should provide OPA with a copy of its written policy for making exceptions in granting compensatory time to FLSA-exempt employees at the regular rate and not at a time-and-one-half rate.

# 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)  
 Date(s) of response letter(s) received : 3/25/99 (RMO), 6/14/99 (OPM)

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 an 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 more readily comply with laws and regulations, especially when</p>	<p>Legislature - Redirected to AGO</p>	<p>Open Active</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><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
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vacancies and transfers are subject to a certain event occurring, such as the opening of a school.

*As Redirected:* The AGO should provide its legal opinion to clarify the issues relating to "Full Time Employment vacancies" and "transfers."

**2. Report No. LT-00-09 issued December 13, 2000  
Office of the Mayor  
Audit of Alleged Coercive Actions Taken Against  
Employees and the Misuse of Government Funds,  
Both During the Term of the Former Mayor of Rota**

Date(s) of followup letter(s) sent : 1/17/01, 8/21/01  
Date(s) of response letter(s) received : 3/9/01

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Attorney General should continue to review the alleged coercive actions taken against employees and the misuse of funds during the term of the former Mayor of Rota.	AGO	Resolved Active	<p>The Attorney General stated that his office would fully explore this crime and anticipates charging the individuals involved with multiple counts of theft, bribery, political coercion, conspiracy, solicitation and misconduct in public office.</p> <p>In his 3/9/01 response, the Acting Attorney General stated that this matter is still under review. However, a charging decision will be made shortly.</p> <p><i>Further Action Needed</i></p> <p>The AGO should provide OPA the results of its review and its actions to address the recommendation.</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 (DOF), 1/19/01, 8/21/01  
 Date(s) of response letter(s) received : 11/21/00 (meeting with Coordinating Group on DOF), 10/01/01

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 Regulation 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 the 10/1/01 response from DOF, the Secretary of Finance stated that DOF is currently working on amending the regulations. OPA was provided the initial draft copy of the regulations.</p> <p><b>Further Action Needed</b></p> <p>DOF should provide OPA copies of the revised Government Vehicle Regulation 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  
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)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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.	DOF	Resolved Delinquent	<p data-bbox="997 663 1471 940">During the 11/21/00 meeting with the Coordinating Group, the 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 data-bbox="997 978 1268 1005"><b>Further Action Needed</b></p> <p data-bbox="997 1043 1446 1253">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>

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# CNMI-Wide Audits

Single Audits  
Compliance with Laws and Regulations

# CNMI-Wide Audits

## I. CNMI Single Audit Independent Auditors' Report on Internal Control Structure and on Compliance Year Ended September 30, 1999

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), 10/01/01 (DPW), 10/22/01 (DPH)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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	Closed	During the 12/7/00 meeting with the Coordinating Group, it was agreed that this recommendation will be closed. OPA is continuously working with the autonomous agencies noted to bring their annual audits current.
2. OMB should develop a budget strategy in order to finance the deficit within the Human Resources Development Trust Fund (HRDTF).	DOF	Resolved Delinquent (Outstanding since FY 1996 Single Audit)	This recommendation is still outstanding as recommendation 2 referenced in the draft copy of the CNMI Single Audit for FY2000.
<i>Further Action Needed</i>			
Provide OPA copy of the most recent report on the HRDTF showing that expenditures of funds are within the revenues collected.			
<i>Cash and Cash Equivalents</i>			
3. DOF should reconcile all bank accounts to the general ledger on a	DOF	Closed	During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary

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monthly basis and resulting adjustments should be recorded in a timely manner.			provided OPA a copy of its memorandum to the Acting Director of Finance and Accounting establishing DOF's Bank Reconciliation policies. The memorandum completely addressed the recommendation.
<b>Receivables</b>			
4. DOF should review all outstanding receivables from federal agencies for propriety and collectibility.	DOF - Finance and Accounting Division	Resolved Delinquent (Outstanding since FY 1997 Single Audit)	This recommendation is still outstanding as Recommendation 4 referenced in the draft copy of the CNMI Single Audit for FY2000.  <b>Further Action Needed</b>  Provide OPA copy of procedures performed to evaluate the propriety and collectibility of receivables from federal agencies.
5. 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.	DPH - CHC	Resolved Active (Outstanding since FY 1995 Single Audit)	In his 10/22/01 response, the DPH Secretary provided an update on the status of the 5-year plan for the development of a comprehensive hospital information and billing system. The new server and local area network has been tested but has not yet been fully implemented pending migration of the database to the new server.  This recommendation is still outstanding as Recommendation 5 referenced in the draft copy of the CNMI Single Audit for FY2000.  <b>Further Action Needed</b>  Provide OPA status reports on actions taken until full implementation of a modern billing and collection system that will address the recommendation as agreed on during the meeting.
6. DOF should obtain a written agreement from the TCGCC indicating its obligation to repay the funds advanced and the time frame for repayment.	DOF	Closed	This recommendation is no longer outstanding with reference to the draft copy of the CNMI Single Audit for FY2000.
7. The Division of Public Lands should review receivable balances	DPL (currently Office of	Resolved Delinquent	This recommendation is still outstanding as Recommendation 6 referenced in the

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
and forward overdue accounts to the Attorney General's office for collection.	Public Lands)	(Outstanding since FY 1998 Single Audit)	<p>draft copy of the CNMI Single Audit for FY2000.</p> <p>In the 2/22/01 response of the Administrator of the Office of Public Lands (formerly DPL), OPA was informed that the Accounts Receivable Section is already updating and compiling the status of each uncollectible account and will be able to provide OPA the results of the reconciliations within 30 days from 2/22/01.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of the status of each lease as a basis for monitoring the progress of the accounts receivable ledger reconciliation to ensure that it will eventually address the recommendation.</p>
<b>Inventory</b>			
8. CHC should establish policies and procedures to ensure timely reconciliation of the physical inventory count to the general ledger inventory balances.	DPH - CHC	Open Active (Outstanding since FY 1994 Single Audit)	<p>This recommendation is still outstanding as Recommendation 7 referenced in the draft copy of the CNMI Single Audit for FY2000.</p> <p>In his 10/22/01 response, the DPH Secretary stated that by no later than 10/31/01 (for FY 2001), DPH will provide DOF a copy of the FY2001 actual inventory count which will be the basis for recording ending inventory balances.</p>
<b>Advances</b>			
9. DOF should review all advances outstanding for more than one year, evaluate their collectibility, and write off any amounts deemed uncollectible.	DOF - Finance and Accounting Division	Resolved Delinquent (Outstanding since FY 1987 Single Audit)	<p>This recommendation is still outstanding as Recommendation 9 referenced in the draft copy of the CNMI Single Audit for FY2000.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of policies and procedures regarding the liquidation of advances.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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 and Accounting Division	Resolved Active (Outstanding since FY 1987 Single Audit)	<p>This recommendation is still outstanding as Recommendation 10 referenced in the draft copy of the CNMI Single Audit for FY2000.</p> <p>During the 12/7/00 meeting with the Coordinating Group, the DOF- Finance and Accounting Division Director stated that implementation of the fixed assets module in the new FMS began during FY 98. However, existing assets must be inventoried and manually entered into the system. Capitalization policies will be developed to fully implement the Fixed Asset Module. The anticipated date of completion for the work will be by FY 2001.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA status reports on actions taken until full implementation of the Fixed Asset Module in the new FMS that will address the recommendation.</p>
<b>Other Liabilities and Accruals</b>			
11. DOF should establish policies and procedures to ensure adequate recording of liabilities for goods received by the Division of Procurement and Supply.	DOF - P&S	Open Delinquent	<p>This recommendation is still outstanding as Recommendation 11 referenced in the draft copy of the CNMI Single Audit for FY2000.</p> <p><b>Further Action Needed</b></p> <p>Provide copy of reconciliation procedures developed to reconcile goods received against payable balances on a monthly basis, as stated in auditee response.</p>
<b>Deposits Payable</b>			
12. DOF should reconcile deposits payable to a subsidiary ledger on a monthly basis.	DOF - Finance and Accounting Division	Closed	<p>This recommendation is no longer outstanding with reference to the draft copy of the CNMI Single Audit for FY2000.</p>



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<b>Fund Balance</b>			
13. DOF should ensure that all encumbrances are recorded and reconciled on a monthly basis.	DOF - Finance and Accounting Division	Closed	This recommendation is no longer outstanding with reference to the draft copy of the CNMI Single Audit for FY2000.
14. 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	Resolved Delinquent (Outstanding since FY 1997 Single Audit)	This recommendation is still outstanding as Recommendation 12 referenced in the draft copy of the CNMI Single Audit for FY2000.  <b>Further Action Needed</b>  Provide OPA copy of completed local CIP quarterly report.
<b>CNMI Local Noncompliance</b>			
15. DOF should ensure that sufficient documentation is obtained and periodically updated to demonstrate full compliance with the requirements of public law.	DOF - Treasury	Resolved Delinquent (Outstanding since FY 1996 Single Audit)	This recommendation is still outstanding as Recommendation 13 referenced in the draft copy of the CNMI Single Audit for FY2000.  <b>Further Action Needed</b>  Provide OPA copy of updated agreement with the local bank.
<b>Allowable Costs/Cost Principles</b>			
16. The CNMI should follow all Common Rule and CNMI Procurement Regulations. [US Department of the Interior/CFDA #15.875].	DOF - P&S	Closed	No action required. This relates to Public Law 9-28 which appropriated \$500,000 to complete the Tinian Courthouse. When AGO said the project needed to be bid out, the CNMI Legislature declared through Senate Resolution 10-37 that the intent of Public Law 9-28 was to have the original contractor complete the work. The intent of the Legislature was then carried out under contract 67457-OS (approved by AGO).
<b>Davis-Bacon Act</b>			
17. The CNMI should ensure that contractors comply with the provisions of the Davis-Bacon Act. [US Department of the Interior/DOI and Covenant Capital Projects/	DPW- TSD	Closed	This recommendation is no longer outstanding with reference to the draft copy of the CNMI Single Audit for FY2000.

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CFDA #15.875].			
<b>Allowable Costs/Cost principles - All Programs</b>			
18. DPW 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, in accordance with the Common Rule. [All Programs]	DPW - TSD	Closed	<p>This recommendation is no longer outstanding with reference to the draft copy of the CNMI Single Audit for FY2000.</p> <p>In addition, in the 10/01/01 response of the DPW Secretary, he mentioned their current control procedures that would result in DPW not paying contractors for excess materials because no excess materials are authorized.</p>
<b>Davis-Bacon Act</b>			
19. TSD 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 Davis-Bacon Act. [Davis-Bacon Act/DOI and Covenant Capital Projects/CFDA #15.875].	DPW - TSD	Resolved Active (Outstanding since FY 1990 Single Audit)	<p>This recommendation is still outstanding as Recommendation 20 referenced in the draft copy of the CNMI Single Audit for FY2000.</p> <p>In the 10/1/01 response of the DPW Secretary, he stated that DPW has been recently told by the US Department of Labor, Wage and Hour Division, that while the Davis-Bacon Act is applicable to the CNMI, the same Act would not apply to projects which are solely funded under Covenant Section 702 CIP grants without any additional funds from other federal agencies. The US Department of Interior, Office of Insular Affairs (OIA) has the same understanding. Having been so informed, DPW believes that in effect the enforcement of the Davis-Bacon Act is now moot because the Single Audit report only addressed those projects which are specifically funded under the Covenant Section 702 CIP grants and did not include any other federal program. Also, the Governor's Wage Review Board indicated that the Board has yet to meet to adopt the final report of its wage recommendations for the CNMI.</p>

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<i>Eligibility</i>			
20. The CNMI should adhere to established policies and procedures concerning verification of income and resource levels. [Eligibility - Nutrition Assistance Program/ CFDA# 10.551]	NAP	Closed	<p>In a letter to OPA on 10/3/01, the OIA affirmed that the Davis-Bacon Act, while generally applicable in the CNMI, does not apply to 702 grants.</p> <p>OPA will discuss the information gathered with the CPA firm doing the CNMI Single Audit for FY2000.</p> <p><b>Further Action Needed</b></p> <p>No further action by DPW is needed at this time until OPA and the auditing firm make a determination on whether to pursue or drop the recommendation based on information gathered.</p>
<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. [All Programs]	DOF - P&S	Resolved Delinquent (Outstanding since FY 1987 Single Audit)	<p>This recommendation is still outstanding as Recommendation 23 referenced in the draft copy of the CNMI Single Audit for FY2000.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA status reports on actions taken until full implementation of the Fixed Asset Module in the new Financial Management System that will address the recommendation.</p>
<i>Special Tests and Provisions</i>			
22. Medicaid should perform monthly reconciliation of medicare premium payments with HCFA. Medicaid	Medicaid	Closed	<p>On 2/8/01, the Medicaid Administrator provided OPA a copy of their procedures for reconciliation of Medicaid reports with</p>

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should also coordinate with HCFA recovery of the medicare premium payments, totaling \$95,138, which were not reflected in the HCFA statement [Special Tests and Provisions/CFDA #93.778]			the FMS and procedures for reconciliation of medicare premium payments with Health Care Financing Administration (HCFA), which sufficiently addressed the recommendation.

**2. 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)
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)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Secretary of Finance should issue a memorandum instructing the P&S Director to develop and implement written policies and procedures regulating advance payments and contract monitoring, such as those provided under Federal Acquisition Regulations.	DOF	Closed	The revised CNMI Procurement Regulations which were adopted in May 2001 completely addressed the recommendation.
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).	AGO - (in lieu of DOF - Treasury) for Contract C40113 C50108	Resolved Active	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 AG's office for monthly payments of \$300 to the CNMI Treasury beginning 2/15/00.  In his 3/9/01 response, the Acting Attorney General stated that the government has received \$3,300 in compensation from the contractor. We verified the information with the DOF - Treasury Division and were

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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 AG's Office for legal action.</p>	<p>Office of Mgt. &amp; Budget for Contract C40276</p>	<p>Resolved Active</p>	<p>informed that as of February 2001, total payments made on the promissory note amounted to only \$1,500 leaving a balance of \$94,600 still to be collected.</p> <p><b>Further Action Needed</b></p> <p>For Contract Nos. C40113 and C50108 - Until full amount has been paid, DOF-Treasury should continuously provide OPA evidence (<i>i.e.</i>, official receipts) of collections from the contractors which pay directly to the CNMI Treasury.</p> <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><b>Further Action Needed</b></p> <p>OMB should notify OPA of the results of its verification on the \$8,000 payments and if the balance of \$2,000 has been collected.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
The Secretary of Finance should develop detailed procedures for the appropriate use of sole source procurement, and direct the P&S Director to implement such procedures, which should include:	DOF	Closed	The revised CNMI Procurement Regulations which were adopted in May 2001 completely addressed the recommendations.
4. Enforcing the rule that all professional services contracts be awarded through competitive proposals.			
5. Ensuring that written determinations issued by the P&S Director for sole source procurement contain sufficient detailed explanations as to why the contractor was considered the only source for procurement.			
6. Ensuring that alternative sources be considered in sole source procurement.			
7. The Secretary of Finance should issue a memorandum instructing the P&S Director to develop and implement written policies and procedures regulating cost, scope of work and deliverables, and contract renewals such as those provided under FAR.	DOF	Closed	
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 Active	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.
			<b>Further Action Needed</b>
			The Secretary of Finance should provide OPA with the documents evidencing settlement of the \$7,559 (for Contract no.

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

**3. 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)

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)

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required	
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	DOF for Contracts C60196 C70156 C50388 and C60355	Resolved Active	<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><i>C70220</i> - 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. 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 which 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 which 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><b>Further Actions Needed</b></p> <p>AGO does not intend to take any action on Contract nos. C70149 and 305559. However, the AGO should provide OPA copy of documents showing legal actions taken to recover \$45,000 (C70220), \$30,000 (C70180), and \$178,400 (C70301), for a total potential recovery of \$253,400.</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</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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>\$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, C310735, C60323, C60373, C70091, C70179, 300082-OC and C60196. DOF will inform OPA of any responses.</p> <p><b>Further Actions Needed</b></p> <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.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			C50388).
			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).
			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.
9. Take action to address our pending recommendations relating to the development and implementation of written policies and procedures which would require pre-contract analysis; limit granting of advance payments; and regulate costs, scope of work and deliverables, and contract renewals.	DOF	Closed	The revised CNMI Procurement Regulations which were adopted in May 2001 completely addressed the recommendation.

**4. 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) (BOED) (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 (BOED) (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 (BOED) (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 (BOED), 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) (BOED), 8/23/01 (DLI)

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)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The heads of departments, activities, and autonomous agencies of the CNMI government should become familiar with, and ensure that their respective agencies comply with, the requirements of the Act and the Regulations. The heads should issue a written directive to their respective personnel requiring them to:</p>	(See last column)	Open Delinquent	<p>Each of the following agencies should provide OPA a copy of the agency head's written directive to the agency's personnel and divisions or offices directly under the agency to implement the requirements enumerated under Recommendation 1. The written directive should be accompanied by continuous vehicle trip log forms and written vehicle authorization forms adopted for use by the agency concerned and the divisions or offices directly under the agency.</p>
<p>a) Implement the use of continuous vehicle trip log forms, which should be placed in every government vehicle (except vehicles assigned to and used by government officials; official government guests; emergency vehicles used by the Department of Public Safety, Civil Defense, Commonwealth Utilities Corporation, and law enforcement offices). The log forms should be maintained by vehicle operators to</p>			<p>Senate Board of Education (PSS)</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>provide basic trip information such as date, time, places of travel, purpose of travel, beginning and ending mileage readings, total miles driven, the signature of the vehicle operator, and vehicle identification data. The log forms should be reviewed monthly and signed by a responsible official of each agency. The log forms should be properly filed by each agency in accordance with the policy of the CNMI government to retain records for a minimum of three years.</p>			
<p>b) Ensure that when using government vehicles outside working hours, an employee is in possession of a written authorization signed by the official with expenditure authority that <b><i>clearly states</i></b> the reason why the vehicle is needed; the date, hours, and conditions when and how the vehicle may be used; and the person(s) authorized to use the vehicle outside regular government working hours. Written authorizations are not required for law enforcement vehicles and vehicles used by elected officials.</p>			
<p>c) Accept conditions in written authorization forms that they will be responsible for the safety of the government vehicles they are authorized to take home, for any liability or damage resulting from their negligence while the vehicles are under their care, and for any tax consequences resulting from the benefit of using government vehicles</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>between their homes and places of employment.</p> <p>d) Conform to the standard vehicle specifications and features specified in the guidelines issued by the Procurement and Supply Division when purchasing or leasing vehicles.</p>	DLI	Closed	<p>On 8/29/01, the DLI Manager for Administrative Services responded by providing OPA a copy of the directive issued to all Division Directors reiterating the Government Vehicle Act and Regulations and copies of DLI's vehicle use logbook. The documents provided were sufficient to close the recommendation.</p>
	Legislative Bureau	Closed	<p>On 8/30/01, the Acting Legislative Bureau Director responded by providing OPA copies of vehicle trip log forms and letters of authorization to use government vehicles together with a memorandum to all fleet assigned users reiterating the government vehicle regulations. The memorandum and forms provided to OPA were sufficient to close the recommendation.</p>
	CPA	Closed	<p>In his 10/12/01 response, the CPA Executive Director provided OPA with their vehicle trip log form and written authorization for the use of non-emergency vehicle and provided explanation on items (c) and (d) of the recommendation which was sufficient to close the recommendation.</p>
	EMO	Resolved Active	<p>The 4/7/99 response addressed only part 1a of the recommendation.</p> <p>During the 9/4/01 meeting, we provided the EMO Director with samples of the vehicle forms needed to close the recommendations. The EMO Director agreed to issue a response letter to our office with a copy of the written directives to EMO personnel and implemented vehicle forms.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. The Secretary of Finance should instruct the Director of Procurement and Supply to:</p> <p>a) Develop written procedures for marking of government vehicles (except law enforcement vehicles and vehicles used by elected</p>	RMC	Closed	<p><i>Further Action Needed</i></p> <p>The EMO Director should provide OPA with a copy of the written directives to EMO personnel and implemented vehicle forms as described in part 1b, 1c and 1d of the recommendation.</p> <p>On 9/21/01, the RMC Chairman responded by providing OPA copies of its log-in/log-out sheet, vehicle log sheet, and vehicle authorization forms together with a memorandum to all municipal council employees on the use of government vehicle. The memorandum and the forms provided to OPA were sufficient to close the recommendation.</p>
	CUC	Closed	<p>On 9/27/01, the CUC Executive Director provided OPA a copy of its 9/26/01 memorandum to all managers to ensure compliance with the Government Vehicle Act which sufficiently addressed the recommendation.</p>
	WRO	Resolved Active	<p>On 9/25/01, the Resident Representative provided OPA copies of their vehicle trip log form and vehicle authorization letter which partially addressed the recommendation.</p> <p><i>Further Action Needed</i></p> <p>To close the recommendation, the Resident Representative should issue a written directive to the WRO staff to implement the requirements of Recommendation 1. The directive should be accompanied by the vehicle trip log form and vehicle authorization form adopted for use by WRO.</p>
DOF Proc. & Supply	Resolved Active	<p>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 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</p>	

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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>(<b>Note:</b> 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>recommendation.</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 any government</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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agency to procure vehicles that do not conform to the standard vehicle specifications and features guidelines.

**5. 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)

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)



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
38. Require all employees to punch the time clock or maintain a document which can monitor daily time and attendance.	DCCA	Resolved Delinquent	During the 10/3/00 meeting with the Coordinating Group, the DCCA Secretary agreed to confirm in writing that time clocks are being used.
39. Stop allowing employees to manually time-in-and-out except in appropriate cases (such as when the time clock is not operable), which should be justified and approved by the division manager.	DCCA	Resolved Delinquent	<b>Further Actions Needed</b> Recommendations 38 and 39 - The Secretary of DCCA should provide OPA a copy of the written instructions to the employees.
74. Take appropriate disciplinary actions against the three employees who were AWOL.	RMC	Open Active	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.
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.	RMC	Open	<b>Further Actions Needed</b>  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.  Recommendation 75 - The Chief of Staff should provide OPA copies of the applications for leave and STS evidencing that the employees were charged leave.
76. Issue a memorandum requiring all employees to personally record their actual time-in-and-out in the daily time and attendance sheet.	RMC	Closed	In his 9/21/01 response, the RMC Chairman provided OPA a copy of his 7/31/00 memorandum to the timekeepers reiterating RMC's timekeeping policy and samples of their log-in/log-out sheet. We were also
77. Establish procedures for documenting the calls of employees reporting leave.	RMC	Closed	provided RMC's Administrative Policies and Procedures which includes RMC's policy on how to notify the office if an employee will be taking leave.
78. Instruct employees who leave the office during working hours to personally log their destination (including purpose, time of leaving, and time returned) in a sign-in-and-out sheet.	RMC	Closed	The documents provided to OPA were sufficient to close Recommendations 76 and 78. In addition, RMC's Administrative Policies and Procedures covers the intent of Recommendation 77, which enabled OPA to consider the recommendation closed.

79.	Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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 Active	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.  <i>Further Action Needed</i>  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.
82.	Adjust the leave charges of the two employees in question.	SMC	Closed	For one of the two employees, the SMC Executive Director provided OPA a written justification to explain why there is no need to adjust the leave charges of the employee. We find the justification for that employee acceptable.  The other employee is no longer employed at SMC. Per DOF-payroll records, the employee has a balance of 12 hours annual leave and 8.75 hours of sick leave. In a letter dated 8/27/01, the former SMC employee agreed that upon his return to government service the adjustment of 24 hours sick leave will be taken from his accumulated balance of 12 hours annual leave and 8.75 hours sick leave. The remaining 3.75 hours (to complete the 24-hour adjustment) will be deducted when he starts accruing leave upon his return to government service.  The actions taken by SMC on both employees were considered by OPA sufficient to close the recommendation.
84.	Require the Administrative Officer or designee to exercise due care in the review of STS.	SMO	Open Delinquent	The new Mayor of Saipan responded to the draft audit report and concurred with the recommendations. He stated that since he took office, the Mayor's Office had implemented steps necessary to monitor employees' time and attendance more closely. SMO is charging employee leave for tardiness if the employee does not work 40 hours per week, and is making sure that all employees' leave is properly charged. With regards to adjusting the leave charges of the three employees in
86.	Adjust the leave charges of the three employees.	SMO	Open Delinquent	
87.	Investigate the person responsible for filling out the mechanic's time card and impose appropriate disciplinary action. Any action	SMO	Open Delinquent	

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>taken in this regard should be written and documented.</p>			<p>question, only Employee no. 74708 remained working at SMO, and therefore only that employee's time charges would be adjusted. With regards to Recommendation 87, the Mayor stated that the person responsible was no longer working at SMO.</p> <p><b>Further Actions Needed</b></p> <p>Recommendation 84 - The Mayor of Saipan should provide OPA a copy of the written instruction to the Administrative Officer or designee.</p> <p>Recommendation 86 - The Mayor of Saipan should provide OPA copies of the application for leave and STS evidencing that the employees were appropriately charged leave.</p> <p>Recommendation 87 - the Mayor of Saipan should provide OPA a copy of the documentation of the violation committed by the employee.</p>
<p>95. Initiate the update of the PSSRJ using CSC's guidelines for granting administrative leave.</p>	SPRC	Resolved Active	<p>On 9/19/01, OPA provided the Presiding Judge information on the specific action required to close the recommendation addressed to the CNMI Superior Court. In the letter, OPA acknowledged that the Court has adopted provisions of the PSSRR relating to administrative leave. However, OPA was not provided any document such as a memorandum or directive issued to its staff informing them of the specific administrative leave provisions to be used by the Court.</p> <p><b>Further Action Needed</b></p> <p>The Presiding Judge should provide OPA a copy of a memorandum or directive to close the recommendation.</p>
<p>104. Require all timekeepers to control in-house comptime records of employees.</p>	NMC	Resolved Active	<p>In a follow-up telephone conversation on 3/29/01, the NMC Controller agreed to provide OPA samples of in-house comptime records of NMC employees to evidence implementation of the recommendation.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<i>Further Action Needed</i>
			Provide OPA copies of compensatory time records maintained by the Business Office.
107. Initiate the update of the NMC Personnel Regulations using CSC's guidelines for granting administrative leave.	NMC	Closed	The NMC Controller provided OPA a copy of NMC's Personnel Regulations including the granting of administrative leave using CSC's guidelines which completely addressed the recommendation.
108. Require all employees to punch the time clock or maintain a document which can monitor daily time and attendance.	NMC	Open Delinquent	The NMC President continued to disagree with the recommendation.
			<i>Further Action Needed</i>
			The NMC President should reconsider and implement the recommendation.
114. Require all employees to consistently punch the time clock.	PSS	Open Delinquent	On 2/16/01, the PSS Commissioner responded and requested an extension until 3/5/01 to complete their response to OPA's 1/15/01 follow-up letter.
115. Stop allowing employees to manually time-in-and-out except in appropriate cases (such as when the time clock is not operable or when the employee is assigned to a location where no time clock is available), which should be justified and approved by the division manager.	PSS	Open Delinquent	<i>Further Actions Needed</i>  Recommendations 114, 115 and 116 - The PSS Commissioner should provide OPA a copy of the written instruction to employees.
116. Instruct employees who leave the office during working hours to personally log their destination (including purpose, time of leaving, and time returned) in the Log-In-and-Out Sheets.	PSS	Open Delinquent	

**6. 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)

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)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>Instruct the person in charge of issuing and liquidating travel advances to strictly enforce requirement for trip report submission and timely filing of travel vouchers (TVs). This could be accomplished as follows:</p>	<p>NMC Senate Pres. House Speaker CPA CUC</p>	<p>Open Delinquent</p>	<p>The NMC President, the Senate President, and the House Speaker did not submit written responses.</p>
<p>1. Include trip report in the checklist of required attachments to the TVs (or adopt a checklist if the agency has not adopted one), and ensure that trip report is included with each TV submitted. A missing trip report would constitute an incomplete TV which should be returned to the originator to attach the missing documentation.</p>		<p>Closed</p>	<p><i>Further Action Needed</i></p> <p>Provide OPA copies of (1) the written instruction to the person in charge of issuing and liquidating travel advances regarding strict enforcement of requirement for trip report submission and timely filing of TVs; and (2) checklist of required attachments to the TVs including a trip report.</p> <p><i>For Recommendation 1</i> - In his 10/12/01 response, the CPA Executive Director informed OPA that CPA requires a traveler to submit a trip report with the travel voucher upon trip completion. OPA was provided a sample of CPA's trip report form, which sufficiently addressed the recommendation.</p>
	<p>CUC</p>	<p>Resolved Active</p>	<p><i>For Recommendations 1 and 2</i> - In his 9/27/01 response, the CUC Executive Director stated that CUC has drafted a travel policy which will require detailed trip reports in the liquidation of travel authorizations. The new policy will also require payroll deductions for employees with outstanding travel advances. See <i>Further Action Needed</i> for actions to be</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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.</p>	<p>Action Required <u>No. 1 and 2</u> NMIRF NMC CPA CUC</p> <p>Action Required <u>No. 1</u> Gov. Senate Pres. House Speaker</p>	<p>Open Delinquent</p>	<p>taken to close the recommendation.</p> <p>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. The NMC President, Senate President, and House Speaker did not submit written responses.</p>
			<p><b>Further Action Needed</b></p> <p>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.</p>
	<p>CPA</p>	<p>Closed</p>	<p><i>For Recommendation 2</i> - The CPA Executive Director explained in his 10/12/01 response that it is CPA's policy that no travel advance will be made until the traveler's outstanding travel advance has been liquidated by the traveler. Furthermore, if a traveler is a CPA employee, payroll deductions are implemented after notice to the employee. The explanation provided is sufficient to close the recommendation.</p>

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# Autonomous Agencies

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Commonwealth Development Authority  
Commonwealth Government Employees Credit Union  
Commonwealth Ports Authority  
Commonwealth Utilities Corporation  
Marianas Visitors Authority  
Northern Marianas College  
Northern Mariana Islands Government Health and  
Life Insurance Trust Fund  
Northern Mariana Islands Retirement Fund  
Office of Public Lands  
Public School System  
Tinian Casino Gaming Control Commission  
Workmen's Compensation 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)  
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)

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 Active	In the 3/1/01 response from the CDA Comptroller, CDA stated its position that the loan in question and the related lack of interest charged were part of the overall lease negotiations. The lease and the related negotiations were properly approved by the Board of Directors.  <i>Further Action Needed</i>  CDA should reconsider and implement the recommendation.
2. The Legislature should amend 1 CMC §7402 of the Planning and Budgeting Act to specifically provide that unused budget authority may not be transferred to subsequent years, and to provide sanctions for violations.	Legislature	Open Active	The Speaker of the House stated that he intended to comply with our recommendation that 1 CMC §7402 of the Planning and Budgeting Act be amended to provide that unused budget authority may not be transferred to subsequent years.  <i>Further Action Needed</i>  We consider this recommendation open until appropriate legislation is introduced to amend 1 CMC §7402.
3. The CDA Board Chairman should ensure that all CDA officials attend a presentation on the procurement regulations to be conducted jointly by P&S and OPA.	CDA	Closed	In the 3/1/01 response from the CDA Comptroller, it was stated that CDA is available and will attend the workshop to be arranged by OPA and P&S. OPA determined that workshops will be appropriately scheduled since the revised CNMI Procurement Regulations have been formally adopted in May 2001. On this

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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 Active	<p>basis, no further action is required of CDA.</p> <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><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 should be delegated procurement authority.</p>

**2. Commonwealth Development Authority  
Independent Auditor's Report on Internal Control and on Compliance  
Over Financial Reporting Based Upon the Audit Performed  
in Accordance with Government Auditing Standards  
Year Ended September 30, 2000**

Date(s) of followup letter(s) sent : 8/22/01  
Date(s) of response letter(s) received : 4/17/01, 9/21/01

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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	Resolved Active (Outstanding since FY1994 Single Audit)	In his 9/21/01 response, the CDA Comptroller stated that CDA showed much improvement in the amount reserved for bad debt. At year end, a total of 51 loans had been referred to CDA's legal counsel for action and several loans were restructured to aid borrowers in their repayment.  <i>Further Action Needed</i>  Provide OPA semi-annual updates of the actions taken for follow-up, and renegotiate past due loans until full recovery.
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	Resolved Active (Outstanding since FY1988 Single Audit)	In his 9/21/01 response, the CDA Comptroller stated that a majority of the past exceptions were related to improper filing of documents and were not direct violations of policy. The loan department is currently reviewing all files to ensure that all necessary documents are properly filed. During the year, two new loan officers were hired. As staff training continues, exceptions will be minimized in the future.  <i>Further Action Needed</i>  Provide OPA results of review of all files and the corrective actions taken.
3. NMHC should ensure that restricted asset balances are accurately and fully maintained.	NMHC	Closed	In his 9/21/01 response, the CDA Comptroller stated that NMHC renegotiated the loan relating to the restricted balances and the funds have been restored. NMHC provided OPA a copy of the deposit slip restoring the account. The action taken by NMHC is sufficient to

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			close the recommendation.
4. NMHC should investigate the procedures employed by local banks in verifying account balances to ensure that all applicant accounts are properly reported.	NMHC	Closed	In his 9/21/01 response, the CDA Comptroller stated that it has become apparent that commercial banks will not respond to CDA's repeated verification requests. Accordingly, NMHC has required notarized statements from their clients as an acceptable alternative. OPA was provided copies of the notarized statement which showed that NMHC has taken alternative actions to verify bank accounts on these tenants.
5. CDA should ensure that supporting documentation and inspection reports are properly retained in the program recipient's files.	CDA	Resolved Active	In his 9/21/01 response, the CDA Comptroller concurred with this finding. The manager of the rental program has been instructed to review all files and ensure timely filing of all documents.  <b>Further Actions Needed</b>  Provide OPA results of all files reviewed and the corrective actions taken.
6. NMHC should make inquiries or arrange training with HUD on the proper completion of HUD-52595.	NMHC	Resolved Active	In his 9/21/01 response, the NMHC Executive Director informed OPA that NMHC will be engaging the assistance of Deloitte & Touche to complete the HUD Report ending fiscal year 2001.  <b>Further Action Needed</b>  Provide OPA an update of the actions taken to ensure proper completion of the HUD report.
7. NMHC should ensure proper reporting of SF-272 to HUD.	NMHC	Closed	NMHC noted this error and informed HUD. HUD did not require a revised SF-272, but directed NMHC to show a correction on the next quarterly report. This was done and was reconciled to the general ledger, as stated in auditee's response.

# Commonwealth Government Employees Credit Union

**I. Commonwealth Government Employees Credit Union  
 Independent Auditor's Report on Compliance and on Internal Control  
 Based on an Audit of Financial Statements  
 Performed in Accordance with Government Auditing Standards  
 Year Ended December 31, 1997**

Date(s) of followup letter(s) sent : 7/12/00, 1/22/01, 8/23/01  
 Date(s) of response letter(s) received : 4/2/01 (follow-up telephone conversation)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. CGECU should ensure that the general ledger balances for loans and deposits are reconciled with the subsidiary ledgers on a periodic basis.	CGECU	Resolved Active (Outstanding since FY1996 Single Audit)	In a follow-up telephone conversation on 4/2/01, the Manager of the Credit Union informed OPA that they are in the process of inputting the December 2000 balances from the DBASE (old software) to the FOXPRO (new software), which they anticipate will be completed by the end of April 2001. With the new software, subsidiary ledgers can easily be balanced with the general ledger. Also, they will be able to print out accrued interest receivable on loans with payments not sufficient to cover interest accrued through the end of the month.
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	Resolved Active (Outstanding since FY1996 Single Audit)	<b>Further Action Needed</b>  Recommendation 1 and 2 - Provide OPA copies of subsidiary and general ledgers generated from the new software.
3. CGECU should follow the guidance in FASB Statement No. 91, and should amortize deferred loan fees into income as an adjustment of interest income.	CGECU	Closed	With the help of an accounting firm staff, CGECU has complied with FASB No. 91 for the year 1998 and will continue to comply with the statement.

## Commonwealth Ports Authority

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

Date(s) of followup letter(s) sent : 11/21/95, 3/7/96, 12/5/96, 2/20/97 (AGO), 2/02/98, 3/3/98 (AGO), 6/9/98 (AGO), 9/18/98, 11/22/99 (CPA), 1/26/99 1/5/00 (AGO), 7/11/00 (CPA), 1/17/01 (CPA), 8/20/01

Date(s) of response letter(s) received : 12/6/95, 3/15/96, 3/27/96, 4/4/97 (AGO), 4/20/98 (AGO), 4/30/99 (CPA), 1/20/00 (AGO), 10/12/01

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
4. The CPA Board Chairman should develop and implement written policies for official representation expenses that clearly indicate the circumstances where it is allowed and the manner in which it should be documented. He should also consider preparing forms for documenting representation expenses, and establishing guidelines that limit representation expenses to a moderate amount and require travelers to pay for their share of representation expenses covered by per diem, such as meals.	CPA	Closed	In his 10/12/01 response, the CPA Executive Director stated that CPA has adopted a comprehensive set of regulations for the control of public funds which took effect in June 2001. Sections 4, 5, 6, 7, 8, 9, and 10 of the regulations relate to CPA's written policies on official representation expenses, forms to use, unallowable expenditures, procedure for processing claims for official representation expenditure, procedure for disallowance of claim for official representation and collection of disallowed expenditure, procedure for delegation of official representation expenditure authority, and so forth. OPA was provided a copy of the regulations which were sufficient to close the recommendation.

### 2. Report No. AR-95-I7 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

Date(s) of response letter(s) received : 3/27/96, 12/24/96, 3/27/99, 10/12/01

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The CPA Board Chairman should recover the \$42,191 in improper	CPA	Resolved Active	In his letter response dated 3/27/96, the former Board Chairman stated that out of

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
reimbursements from the board members unless they can specifically identify the expenses as CPA official business and/or present supporting documents.			<p>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><b>Further Action Needed</b></p> <p>CPA should provide its referral letter to AGO as a basis for redirecting the recommendation.</p>
3. The CPA Board Chairman should establish written procedures for board expense reimbursement that will ensure compliance with the requirements of the law (1 CMC, §8247 (c)).	CPA	Closed	<p>In his 10/12/01 response, the CPA Executive Director stated that CPA's adoption of Regulations for the Control of Public Funds implemented this recommendation. OPA reviewed the regulations and determined that they were sufficient to consider the recommendation closed.</p>
4. The CPA Board Chairman should establish written policies and procedures to prevent financial interest violations in the future.	CPA	Resolved Active	<p>In his 10/12/01 response, the CPA Executive Director expressed his belief that existing laws on financial interest violations <i>i.e.</i>, Government Ethics Code, are adequate and addresses this recommendation. CPA, however, has adopted a separate set of Ethics Policy Guidelines that are set forth in its new Personnel Rules and Regulations.</p> <p><b>Further Action Needed</b></p> <p>The Executive Director should provide OPA copies of CPA's New Personnel Rules and Regulations upon its adoption.</p>

### 3. Report No. AR-96-07 issued August 1, 1996 Audit of Permits, Leases and Concession Agreements

Date(s) of followup letter(s) sent : 12/5/96, 2/02/98, 9/18/98, 9/28/98, 11/22/99, 7/11/00, 1/17/01, 8/20/01  
Date(s) of response letter(s) received : 4/30/99, 10/12/01

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
6.	The CPA Board Chairman should invalidate all outstanding permits and leases to current and former board members, officials, and their relatives. These transactions may be terminated as provided under the Government Ethics Code Act of 1992 and the CPA Procurement Regulations.	CPA	Closed	In his 10/12/01 response, the CPA Executive Director stated that under the new Temporary Land Use Permit regulations adopted in 1998, no board member, official or employee of CPA can be a recipient of a grazing or agricultural use permit. The regulations, a copy of which was provided to OPA, sufficiently addressed the recommendation.
8.	The CPA Board Chairman should instruct the Comptroller to design and implement a billing and accounting system that can readily provide information on rental payments and outstanding rentals owed by lessees. The system should include features such as notification to delinquent lessees and analysis of discrepancies in monthly rental collections.	CPA	Closed	In his 10/12/01 response, the CPA Executive Director informed OPA that CPA has already implemented the recommendation by installing an accounting network, MAS90. The system sufficiently addressed the recommendation.

### 4. Report No. LT-98-03 issued February 17, 1998 Audit and Investigation of a Misuse of Government Vehicle

Date(s) of followup letter(s) sent : 9/18/98, 11/22/99, 1/26/99 (AGO), 1/5/00 (AGO), 7/11/00 (CPA), 1/17/01 (AGO) (CPA), 8/20/01 (CPA)  
Date(s) of response letter(s) received : 4/30/99, 1/20/00 (AGO), 3/8/01 (verbal follow-up), 3/9/01 (AGO), 8/31/01 (meeting with CPA)

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
2.	Recover from the former CPA Deputy Director \$3,275 equivalent lease cost of the black Toyota Camry during the period of misuse.	CPA	Closed	The former CPA Deputy Director entered into a settlement agreement with CPA in order to avoid a civil restitution action, where \$250 monthly payments were to be made. OPA was able to obtain a copy of the 6/3/98 settlement agreement between CPA and the



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. Order the former CPA Deputy Director to repay the \$3,870 cost of salary he received from the government for the hours he was doing personal business.	CPA	Closed	former CPA Deputy Director which partly addressed recommendations 2 to 4. \$3,000 for restitution was stipulated in the settlement agreement.
4. Recover from the former CPA Deputy Director a reasonable amount for the cost of fuel and maintenance of the white Toyota Camry.	CPA	Closed	During the 8/31/01 meeting with CPA officials, OPA was provided a copy of the official receipt and bank statement evidencing collection of the \$3,000 in restitution. The documents provided were sufficient to close the recommendation.

**5. 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)  
 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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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.	CPA Redirected to AGO	Open Active	<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</p>
<i>As Redirected to the AGO:</i> The			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>AGO should provide its legal opinion on the propriety of CPA's policy of allowing FLSA-exempt (executive, administrative and professional) officials and employees to earn comptime, and granting six designated officials 14 annual leave hours per pay period, or 360 hours per year.</p>	CPA	Resolved Active	<p>the legislature could always review the matter and make recommendations to CPA to enact remedial legislation.</p> <p><b>Further Action Needed</b></p> <p>No further action is required of CPA. However, OPA will refer the matter to the AGO for issuance of a legal opinion.</p>
<p>2. The CPA Board of Directors should establish necessary control procedures for approval and documentation of overtime and comptime.</p>	CPA	Resolved Active	<p>In his 10/12/01 response, the CPA Executive Director stated that CPA has already instituted a set of procedures on comptime application and approval of overtime for non FLSA-exempt employees. Comptime application is now documented and is subject to advance written approval. OPA was provided a copy of CPA's new personnel rules and regulations that are in the process of being promulgated.</p> <p><b>Further Action Needed</b></p> <p>The CPA Executive Director should provide OPA copies of the new CPA Personnel Rules and Regulations upon their adoption.</p>
<p>3. The CPA Board of Directors should comply with the Administrative Procedure Act by publishing the CPA Personnel Regulations in the Commonwealth Register.</p>	CPA	Resolved Active	<p>In his 10/12/01 response, the CPA Executive Director stated that its new personnel rules and regulations will be published in the Commonwealth Register.</p> <p><b>Further Action Needed</b></p> <p>The CPA Executive Director should provide OPA copies of the new CPA Personnel Rules and Regulations upon their adoption.</p>
<p>4. <i>Original:</i> The CPA Board of Directors should adopt personnel rules and regulations that are in compliance with the Retirement Fund Act, thereby repealing the regulation that allows conversion of unused comptime hours to accumulated sick leave for certain officials.</p> <p><i>As Redirected to AGO:</i> AGO should provide its legal opinion on the propriety of CPA's regulation that allows conversion of unused</p>	CPA - Redirected to AGO	Resolved Active	<p>In his 10/12/01 response, the CPA Executive Director disagreed with the recommendation and stated that if accrued sick leave is being treated by the NMIRF in computing an employee's length of service, accrued comptime should also be treated by the NMIRF in computing the length of service because comptime hours are given for services actually performed unlike sick leave which is merely a personnel benefit given to the employee. The CPA Executive Director suggested that it is really up to the NMIRF to decide the issue.</p> <p><b>Further Action Needed</b></p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
comptime hours to accumulated sick leave for certain officials.			No further action is required of CPA. However, OPA will refer the matter to AGO for issuance of a legal opinion.
<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 covered by employment contracts, payment should be made on the next payday following the termination of employment or on payroll due dates.</p>	CPA Redirected to AGO	Resolved Active	<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><b>Further Action Needed</b></p> <p>No further action is required of CPA. However, OPA will refer the matter to AGO for issuance of a legal opinion.</p>
<p>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.</p>	CPA	Resolved Active	<p>On 5/25/00, CPA conducted a hearing through its Personnel Affairs Committee. In its written decision, the Committee stated that the 1,800 hours of comptime claimed by the former Security Chief had a factual basis and were justified, and therefore reaffirmed its decision and allowed it to stand. Also, on 6/17/00, the Committee wrote a letter to the former Executive Director about OPA's findings and conclusion on the comptime he claimed during his employment at CPA. The Committee added that it had no way to independently determine the veracity of the total number of comptime hours claimed by the former Executive</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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>Director, and advised him to present his position to OPA regarding the comptime hours claimed.</p> <p>In his 10/12/01 response, the CPA Executive Director stated that NMIRF reduced the pension benefit of the former Executive Director and discontinued the pension benefit of the former Chief of Security. Both matters are now undergoing administrative adjudication before NMIRF and before the Superior Court. Therefore, until NMIRF renders its administrative decisions and until the court adjudication becomes final, CPA cannot implement the recommendation.</p> <p><b>Further Action Needed</b></p> <p>The CPA Executive should inform OPA of the administrative decision made by NMIRF and the court adjudication, including any action taken as a result of such final rulings on the matter.</p>
			<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> <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</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	Open Active	beneficiaries, appeal and collection process, etc.  <i>Further Action Needed</i>  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.
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 Active	<i>Further Action Needed</i>  Provide OPA evidence of a written settlement plan with the former CPA Security Chief requiring repayment to the Retirement Fund.  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.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<i>Further Action Needed</i>			
Provide OPA evidence that the recommendation has been implemented.			
<p><b>6. Commonwealth Ports Authority Independent Auditor's Report on Internal Control and on Compliance Over Financial Reporting Based Upon the Audit Performed in Accordance with Government Auditing Standards Year Ended September 30, 2000</b></p>			
<p>Date(s) of followup letter(s) sent : 8/20/01 Date(s) of response letter(s) received : 10/12/01</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. CPA management should implement procedures to notify the accounting department of substantial completion of construction projects.	CPA	Closed	In his 10/12/01 response, the CPA Executive Director informed OPA that CPA has established certain procedures for timely reporting and accounting on the conversion of the construction in progress into the fixed asset accounts. A copy of the procedures provided to OPA was sufficient to close the recommendation.
2. CPA should monitor its insurance coverage for the Seaport facilities to prevent potential losses and to comply with bond covenants.	CPA	Closed	In his 10/12/01 response, the CPA Executive Director informed OPA that the insurance coverage was increased from \$150 million to \$176 million to address the recommendation.

# 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)  
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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The CUC Executive Director should require the Comptroller to establish procedures to ensure that advances to employees are monitored, and that collection actions are initiated on all advances that remain unliquidated beyond the period allowed by law.	CUC	Resolved Active	In his 9/27/01 response, the CUC Executive Director instructed the CUC Comptroller to establish procedures to monitor advances and initiate collection of travel advances that are not liquidated on time.  <i>Further Action Needed</i>  CUC should establish procedures relating to the monitoring of advances to employees and provide a copy of the procedures to OPA.
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 Active	On 7/18/00, the Executive Director provided OPA with a draft copy of policies regulating official representation and business entertainment expenses.  <i>Further Action Needed</i>  CUC should provide OPA with a copy of the adopted policies and procedures.
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	The Executive Director responded that the Comptroller would develop and implement procedures regulating wire transfers and prepayments.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<i>Further Action Needed</i>
			CUC should provide OPA with a copy of the procedures.
10. The CUC Executive Director should require the Comptroller to check CUC records to ensure that items purchased by the former Executive Director were actually received by CUC.	CUC	Open Delinquent	The Executive Director agreed with the recommendation, but did not provide a plan of action.
			<i>Further Action Needed</i>
			CUC should provide OPA with a plan of action to ensure that items purchased by the former Executive Director were received.
12. The CUC Executive Director should formally adopt the CNMI policy on travel accommodations and car insurance.	CUC	Resolved Delinquent	The Executive Director responded that the CUC Board of Directors would adopt travel policies, either those of the CNMI or others adapted to fit CUC.
			<i>Further Action Needed</i>
			CUC should provide OPA with a copy of the adopted travel policies.

**2. Commonwealth Utilities Corporation  
Independent Auditor's Report on Internal Control and on Compliance  
Over Financial Reporting Based Upon the Audit Performed  
in Accordance with Government Auditing Standards  
Year Ended September 30, 1998**

Date(s) of followup letter(s) sent : 7/11/00, 1/18/01, 8/20/01  
Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. CUC should ensure that billings are accurately processed, editing procedures are performed prior to processing of billings, and follow-up of customer disputes is implemented on a more timely basis.	CUC	Open Delinquent (Outstanding since FY1994 Single Audit)	Provide OPA with copy of procedures implemented to address misstatement of revenue and accounts receivable that occur when billings are not accurately processed, edited and timely entered in the accounts receivable system, as stated in the auditee's response.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. CUC should execute formal agreements with all owners of land on which CUC has assets.	CUC	Open Delinquent (Outstanding since FY1996 Single Audit)	Provide OPA with executed formal agreements with landowners for CUC's use of parcels of land, as stated in the auditee's response.
3. CUC should implement policies and procedures to ensure the timely follow-up and collection of balances due.	CUC	Open Delinquent (Outstanding since FY1994 Single Audit)	Provide OPA with actions taken by the Internal Auditor to periodically monitor delinquent accounts receivable, as stated in the auditee's response.
4. CUC should ensure that billing rates are entered accurately, and assigned customer rates are reviewed periodically to ensure that the appropriate rates are applied.	CUC	Open Delinquent	Provide OPA with actions taken in FY2000 to review customer rates for water, as stated in the auditee's response.
5. CUC should ensure strict adherence to procurement policies and procedures.	CUC	Open Delinquent	Provide OPA with steps taken to document pre-approved procurement actions by the Executive Director and/or Comptroller.
6. CUC should pre-approve and appropriately document all non-emergency overtime.	CUC	Open Delinquent (Outstanding since FY1996 Single Audit)	Provide OPA with a copy of the document reminding Division managers and supervisors of CUC Policies and Procedures denying non-emergency overtime that has not been pre-approved.
7. CUC should implement a system whereby a receivable/payable account records all cash received from the grantor agency and records all related expenditures.	CUC	Open Delinquent (Outstanding since FY1990 Single Audit)	Provide OPA with a copy of the accounting section's reconciliations of grant receivables, payables, expenditures, and contributed capital on a monthly basis, as stated in the auditee's response.
8. CUC should ensure implementation of reconciliation procedures 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	Open Delinquent (Outstanding since FY1997 Single Audit)	Provide OPA with a copy of accounting section's reconciliations of grants, to ensure that all contributed assets and capital are properly recorded.
9. CUC should reconcile with appropriate CNMI officials the balance due from the CNMI and record any necessary adjustments.	CUC	Open Delinquent (Outstanding since FY1995 Single Audit)	Provide OPA with a copy of reconciliations of balance due from the CNMI per CUC's books with the balance recorded in the books of the CNMI government.

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
10.	CUC should ensure that all long outstanding balances that are included in the other receivables and travel advances account, as of September 30, 1998, are reviewed and expensed where necessary.	CUC	Open Delinquent (Outstanding since FY1993 Single Audit)	Provide OPA with a copy of actions taken to review advance and prepayment accounts, as stated in the auditee's response.
11.	CUC should ensure that final inventory listings reflect quantities of items counted at balance sheet date.	CUC	Open Delinquent (Outstanding since FY1994 Single Audit)	Provide OPA with copy of procedures instituted to ensure that the count and inventory records match, as stated in the auditee's response.
12.	CUC should reconcile its inventory listing to cost documentation.	CUC	Open Delinquent (Outstanding since FY1996 Single Audit)	Provide OPA with a copy of the procedures instituted to ensure that the count and inventory records match, as stated in the auditee's response.
13.	CUC should retain supporting invoices or other appropriate documentation to substantiate inventory cost, and completely overhaul the parts inventory system to prevent further errors.	CUC	Open Delinquent (Outstanding since FY1995 Single Audit)	Provide OPA with copy of pre-payment procedures adopted to ensure that invoices, when received, are filed with all applicable supporting documents, as stated in the auditee's response.
14.	CUC should implement appropriate procedures to restrict access to inventory items and to keep accurate records of all inventory items issued.	CUC	Open Delinquent (Outstanding since FY1996 Single Audit)	Provide OPA with procedures implemented which restrict access to all storerooms to only warehouse personnel, as stated in the auditee's response.
15.	CUC should ensure that proper construction work-in-progress records are maintained.	CUC	Open Delinquent (Outstanding since FY1988 Single Audit)	Provide OPA with copies of reports generated by the current computerized systems for work orders, as stated in the auditee's response.
16.	CUC should perform a physical inventory of all fixed assets on hand, reconcile 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 their continued existence.	CUC	Open Delinquent (Outstanding since FY1988 Single Audit)	Provide OPA with adjustments made on applicable asset and capitalization accounts, as well as procedures for tagging and performing periodic counts of fixed assets, as stated in the auditee's response.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
17. CUC should ensure that the fixed asset register is reconciled with the general ledger on a monthly basis.	CUC	Open Delinquent (Outstanding since FY1997 Single Audit)	Provide OPA with a copy of the reconciliation of fixed asset register to the general ledger, as stated in the auditee's response.
18. CUC should implement a policy with respect to required insurance coverage levels.	CUC	Open Delinquent (Outstanding since FY1989 Single Audit)	Provide OPA with results of exploring sources and evaluating cost proposals for obtaining insurance coverage for its fixed assets, as stated in the auditee's response.
19. CUC should review its system of recordkeeping, and establish policies and procedures to ensure that utility service applications are appropriately maintained.	CUC	Open Delinquent	Provide OPA with a copy of the promissory note agreement between CDA and CUC, as stated in the auditee's response.
20. CUC should implement appropriate policies and procedures to ensure recording of all liabilities in the appropriate fiscal year.	CUC	Open Delinquent	Provide OPA with a copy of procedures adopted to ensure that all change orders are approved prior to additional work being performed, as stated in the auditee's response.
21. CUC and CDA should come to an agreement regarding the precise nature of the \$10M note payable by CUC to CDA, and document such an agreement accordingly.	CUC	Open Delinquent (Outstanding since FY1995 Single Audit)	Provide OPA with copy of promissory note agreement between CDA and CUC, as stated in the auditee's response.
22. CUC should establish a separate reserve account to account for both the 15 cents per gallon set aside and the related expenditures.	CUC	Open Delinquent (Outstanding since FY1997 Single Audit)	Provide OPA with action taken to establish a special reserve account, as stated in the auditee's response.
23. CUC should ensure that all amounts requested for reimbursement are adequately supported.	CUC	Open Delinquent	Provide OPA with actions taken to ensure that reimbursements are supported by adequate documentation.
24. CUC should ensure that all progress billings are accompanied by appropriately approved stage-of-completion documentation.	CUC	Open Delinquent	Provide OPA with a copy of requests for payment signed by the Executive Director, and include certification as to the stage of completion of the project.

# Marianas Visitors Authority

**I. Report No. AR-98-04 issued July 13, 1998  
Marianas Visitors Authority  
(Formerly Marianas Visitors Bureau)  
Audit of Promotion and Advertising Services  
Fiscal Years 1992 to 1998**

Date(s) of followup letter(s) sent : 9/17/98 (GOV) (AGO) (DOF), 9/21/98 (MVA), 11/23/99 (DOF) (GOV), 11/24/99 (MVA), 1/26/99, 1/5/00 (AGO), 7/6/00 (MVA), 9/12/00 (MVA), 7/13/00 (DOF), 1/23/01 (MVA), 8/22/01 (MVA)

Date(s) of response letter(s) received : 1/4/00 (DOF), 1/12/00 (GOV), 2/00 (DOF), 8/25/00 (MVA), 10/4/01

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. The Managing Director, MVA Board members and procurement officials should familiarize themselves with the CNMI-PR. MVA employees involved in the procurement of goods and services should be required to be familiar with the details of the regulations.	MVA	Closed	In his 10/4/01 response, the Managing Director stated that for their new team of Board Members in position for the next four years, MVA already submitted a request to the Division of Procurement and Supply for a familiarization workshop. MVA provided OPA a copy of its letter to the Director of Procurement and Supply. That information and the copy of the letter provided to us by MVA are sufficient to close the recommendation.
7. The Managing Director should establish a filing system that can provide a complete history of the transactions with each individual contractor. Contract files generally consist of (1) contracting files which document the basis for acquisition and the award of the contract, (2) contract administration files which document actions taken to monitor contractor performance and compliance with the scope of work, and (3) payment contract files which document actions substantiating and reflecting contract payments.	MVA	Resolved Active	<p>In his 10/4/01 response, the Managing Director stated MVA is still developing its filing system policies and procedures. However, all original papers relating to the processing of contracts starting with the announcement to the notice to proceed with the contact, are in the possession of the Personnel/Administration Manager.</p> <p><b>Further Action Needed</b></p> <p>MVA should provide a time frame for improving the filing system. Once completed, a copy of written policies and procedures describing the agency's filing system should be submitted to OPA. As discussed in the audit, there was no systematic or centralized filing system for contract documents. Most of the documents we gathered in reviewing a particular contract came from different sections of MVA.</p>

# Northern Marianas College

**I. Report No. LT-00-05 issued June 13, 2000  
 Audit of the Northern Marianas College's  
 Collections and Deposits from July to November 1999**

Date(s) of followup letter(s) sent : 7/11/00, 9/19/00, 1/18/01, 8/20/01  
 Date(s) of response letter(s) received : 8/28/00

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
The Board of Regents should take the following steps:	NMC	Resolved Delinquent	On 8/28/00, NMC provided OPA with its draft internal control policies. OPA evaluated the policies and informed NMC in a letter dated 9/19/00 that controls can be strengthened further by specifically stating the personnel who will be responsible in carrying out the specific duties and responsibilities within the Business Office. In addition, the draft internal control policies may also include legal and administrative sanctions in case an employee commits financial fraud.
1. Adopt and implement clear policies, procedures, and administrative sanctions that will ensure regular performance or control over the following:			<b>Further Action Needed</b>
a. the proper turnover of cashiering duties and responsibilities any time a cashier goes out of the office, or is absent and is temporarily relieved by another person, to prohibit commingling of cash collected by the cashier with the reliever's cash collections.			<i>Recommendation 1 and 2-</i> NMC should provide OPA a copy of the written policies and procedures adopted by the Business Office which incorporates the provisions suggested by OPA mentioned above that will further strengthen existing controls.
b. the proper custodianship for the cash safe's combination and key (only one person may have access), unused ORs, blank checks, and limited access to the cashier's office.			
c. use of control features in the computerized accounting system, such as the use of passwords or log-on IDs, limiting access and user capabilities to specific users and key officials only. For example, people collecting tuition and other fees should only be allowed to see (inquiry options only) the student accounts receivable subsidiary			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>ledger balances on the computer monitors, but must not be allowed to input or adjust any financial information.</p>			
<p>d. periodic audits or surprise cash counts for handlers of petty cash and change funds, and having petty cash vouchers and other supporting documents for payments in the files at all times.</p>			
<p>2. Require the Comptroller to implement and enforce effective internal controls over cash. The Comptroller must also identify the specific Business Office supervisor who will perform the following:</p>	NMC	Resolved Delinquent	
<p>a. Supervision and Review of the cashier</p> <p>Supervision must be continuous, and the review of collection reports must be daily. We are reiterating the proper procedure for the review process as follows: (1) determine the amount of collections based on the printed UTR, (2) verify the accuracy and completeness of reported collections by reviewing the sequence of ORs issued, (3) count the cash and checks collected, compare the breakdown and total amount counted against what was reported in the UTR, (4) determine the cause of cash shortages or overages, if any, and report such occurrences to management, (5) determine if the deposit slip was properly prepared, and then sign the deposit slip to show that the review process was conducted, and (6) ensure that the collection to be deposited is placed inside a locked bank deposit bag and placed in a safe under lock and</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
key if the actual deposit will be made on the next banking day.			
b. Review of Bank Reconciliation Statements			
Bank reconciliation statements should be made on a monthly basis and should be reviewed by the comptroller to determine the accuracy of cash account balances and the propriety of adjustments. The staff assigned to prepare the bank reconciliation statements and the comptroller should sign the reconciliation statements and the adjusting entries to document the preparation and review process.			
c. Separate duties so that collection, recording and deposits are made by three different employees.			

**2. Northern Marianas College  
Independent Auditor's Report on Compliance and on Internal Control  
Over Financial Reporting  
in Accordance with Government Auditing Standards  
Year Ended September 30, 1999**

Date(s) of followup letter(s) sent : 8/20/01  
 Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<i>Financial Statement Finding</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. These journal entries should be supported by original documents that reflect the date,	NMC	Open Active	Provide OPA copy of internal control policies and procedures to ensure that transactions are properly documented prior to approval.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
amount, and nature of the transactions and the parties involved.			
2. 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. These journal entries should be supported by a purchase order, a check voucher or check request form, a cancelled check, and a vendor invoice or receipt.	NMC	Open Active	Provide OPA copy of internal control procedures to ensure that journal entries are properly reviewed, approved and entered into the general ledger.
3. NMC should adhere to established policies and procedures to ensure that all time sheets are completed and employment contracts are properly accounted for prior to disbursement.	NMC	Open Active	Provide OPA copy of actions taken to ensure that timesheets and employment contracts are complete and kept on file.
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.	NMC	Open Active	Provide OPA copy of internal control policies and procedures over payroll to ensure that employees are paid at authorized and approved rates of pay or contractual amounts.
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	Open Active	Provide OPA copy of established internal control policies and procedures to reconcile interfund accounts in a periodic and timely manner.
6. NMC should reconcile and close all inactive accounts.	NMC	Open Active	Provide OPA copy of actions taken to obtain bank statements for inactive checking accounts to determine funds held by the bank on behalf of NMC.
7. NMC should adhere to established procedures on periodic reconciliations of the general ledger control accounts as required by generally accepted accounting principles.	NMC	Open Active	Provide OPA copy of actions taken to adhere to established procedures in preparing periodic reconciliations of the general ledger control accounts.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
8. NMC should ensure that capital fixed assets are properly accounted for in accordance with its capitalization policy.	NMC	Open Active	Provide OPA copy of actions taken to ensure that NMC adheres to its policy of capitalizing fixed asset purchases of \$5,000 and above.
9. NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.	NMC	Open Active	Provide OPA copy of established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.
10. NMC should perform a physical inventory of all fixed assets on hand, reconcile the count with its records, and make necessary adjustments.	NMC	Open Active	Provide OPA copy of internal control policies and procedures to properly safeguard and account for fixed assets.
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.	NMC	Open Active	Provide OPA copy of actions taken to establish or implement an adequate system of reconciling receivable or payable balances to ensure that Federal cash receipts are properly accounted for.
12. NMC should establish and implement 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.	NMC	Open Active	Provide OPA copy of actions taken by management to ensure that collections are deposited intact on a daily basis and that all funds are accounted for at all times.
13. NMC should fully investigate the misappropriated funds to determine whether an error occurred or whether funds were embezzled.	NMC	Open Active	Provide OPA copy of established internal control policies and procedures for handling cash funds.
<b><i>Federal Awards and Questioned Costs</i></b>			
14. NMC should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.	NMC	Open Active	Provide OPA copy of established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.
15. NMC should strictly enforce its travel policy .	NMC	Open Active	Provide OPA copy of actions taken to strictly enforce adherence to NMC's travel policy.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
16. NMC staff should comply with established procurement policies.	NMC	Open Active	Provide OPA copy of actions taken to enforce compliance with established procurement policies.
17. NMC should comply with established procedures requiring the numbering of purchase orders which should begin with a new series for the new fiscal year.	NMC	Open Active	Provide OPA copy of actions taken to enforce compliance with established procedures for numbering purchase orders.
18. NMC should file federal financial reports in a timely manner (annually within 90 days after the end of the fiscal year) and copies of these reports should be maintained.	NMC	Open Delinquent (Outstanding since FY1993 Single Audit)	Provide OPA copy of actions taken to ensure timely compliance with federal financial reporting requirements.
19. NMC should establish and implement internal control policies and procedures to ensure that there is compliance with federal financial reporting requirements in a timely manner. The Federal Cash Transactions Report (SF-272) is to be prepared quarterly and submitted by the grantee no later than 15 days after the reporting period ends.	NMC	Open Active	Provide OPA copy of established internal control policies and procedures to ensure adherence to the federal financial reporting requirements.
20. Internal control policies and procedures should be established to ensure that all disbursements are supported by vendor invoices and purchase orders with requisite approval, and are filed in a manner to facilitate easy file retrieval.	NMC	Open Active	Provide OPA copy of established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly substantiated and documented.
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 should be maintained.	NMC	Open Active	Provide OPA copy of actions taken to ensure compliance with federal regulations.
22. NMC should establish internal control policies and procedures over procurement and disbursement to ensure that all transactions are properly documented.	NMC	Open Active	Provide OPA copy of established internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
23. NMC 's 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.	NMC	Open Active	Provide OPA copy of actions taken to enforce adherence to the requirements of the <i>Upward Bound Regular Project Proposal</i> , and ensure that all documentation was present to support the students' eligibility.
24. The respective Upward Bound Programs, NMC and an off-island Community College, should adhere to the plan set forth in the Upward Bound Regular Project Proposal for the period 1995-1999 and as required by the Grant Award Notification dated April 15, 1998.	NMC	Open Active	Provide OPA copy of actions taken to enforce adherence to the <i>Upward Bound Regular Project Proposal</i> , Plan of Operation.
25. NMC should ensure that the Memorandum of Agreement is executed and signed by the Grantee and the Subrecipient.	NMC	Open Active	Provide OPA copy of actions taken to ensure that the MOU is executed and signed by the Grantee and the Subrecipient.
26. NMC should adhere to student eligibility requirements pursuant to 34 CFR 668.32 and 34 CFR 690.75.	NMC	Open Active	Provide OPA copy of actions taken to ensure that data in the students' files were complete.

# Northern Mariana Islands Government Health and Life Insurance Trust Fund

**I. Northern Mariana Islands Government Health and Life Insurance Trust Fund  
Independent Auditor's Report on Compliance and on Internal Control  
Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
Year Ended September 30, 2000**

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. GHLITF should provide frequent and continuous training to its staff to improve their performance levels. There should be specific time frames set aside strictly for the processing of CHC claims, and GHLITF staff should be undisturbed during this process. GHLITF could also consider hiring more staff or outsourcing the processing function.	NMI-GHLITF	Open Active	No response was received from the auditee as of report date.  <i>Further Action Needed</i>  Provide OPA copy of actions taken to address the recommendation.

# 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  
 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
1. The Administrator should expedite the hiring of a utilization review specialist either on a contract or employment basis. The utilization review specialist should be well qualified and experienced in the review of health insurance claims, and should be at least a health care professional, preferably a duly licensed nurse or physician.	NMIRF	Closed	Based on information gathered in August 2001, NMIRF contracted a utilization review firm to perform utilization reviews in addition to medical claims processing. The action taken is sufficient to close the recommendation.
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 Active	<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</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. The Administrator should adopt measures to improve internal controls over the processing and payment of health insurance claims as follows: (a) qualification 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>	NMIRF	Open Active	<p>procedures to OPA.</p> <p>The former Deputy Administrator's response did not contain any specific plan of action to address this recommendation.</p> <p><b>Further Action Needed</b></p> <p>NMIRF should implement the recommendation.</p>

**2. Northern Mariana Islands Retirement Fund  
Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
Year Ended September 30, 2000**

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. NMIRF staff should perform monthly reconciliations of subsidiary ledgers to the general ledger balances.</p>	NMIRF	Open Active	<p>No response was received from the auditee as of report date.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of actions taken to address the recommendation.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. NMIRF should make efforts to bring its accounts receivable balances current. The NMIRF should consider charging interest on overdue accounts receivable.</p>	<p>NMIRF</p>	<p>Open Delinquent (Outstanding since FY1999 Single Audit)</p>	<p>According to NMIRF, the current understanding with the Department of Finance is for DOF to pay the most delinquent pay period contributions every two weeks. However, management is seeking to change this understanding to reflect payment of contributions for the most current pay period, as this amount would be larger and would stabilize the receivables balance and keep it from increasing. This is because the current pay period contributions are greater than those for the pay period most in arrears. It is unlikely that assessing interest would be beneficial or aid in speeding up collection of the delinquency.</p> <p><b>Further Actions Needed</b></p> <p>NMIRF should provide OPA a copy of the final agreement with DOF on how payments will be made on the receivables from the CNMI government and the target date of implementation, to resolve the recommendation.</p>

## Office of Public Lands

**I. Report No. AR-95-18 issued October 10, 1995**  
**Division of Public Lands**  
**(Currently Office of Public Lands)**  
**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)

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)

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 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 the cardholders.</p>	AGO	Resolved Active	<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 AG's office 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>2. <i>Original:</i> The Secretary of DLNR should recover from the cardholders the amount of \$45,698.</p> <p><i>As Revised and Redirected to the</i></p>	AGO	Resolved Active	<p>d) The case against the former Comptroller was tried as a bench trial in the CNMI Superior Court in January 2001. A judgment arising from that trial is pending.</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p><i>Attorney General's Office:</i> The Attorney General's Office should take appropriate action to recover the amount of \$45,698 from the cardholders.</p>	AGO	Resolved Active	<p><b>Further Action Needed</b></p> <p>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.</p>
<p>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.</p>			
<p><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.</p>			
<p>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.</p>	OPL (formerly DPL)	Resolved Active	<p>The former Tinian Board member opted to enter into a settlement agreement for \$11,657, to be paid in monthly installments of \$250 to DPL, beginning January 2000. The former Board Chairman and Rota Board member both signed promissory notes for \$15,646.87 and \$25,673.29, respectively, and will make payments directly to DPL. Total amount to be recovered is \$52,977.16.</p> <p>As a result, DPL 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.</p> <p>As of August 2001, the former Tinian Board member has a balance of \$10,132, the former Board Chairman has a balance of \$10,821.84 and the former Rota Board member has a balance of \$16,473.29.</p> <p><b>Further Action Needed</b></p> <p>DPL should provide OPA copies of the subsidiary ledgers which record payments received from the Tinian Board member who signed the settlement agreement, and from the</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			former Board Chairman and Rota Board member who both signed promissory notes, until full amounts have been collected.
<p><b>2. Report No. AR-96-05 issued March 21, 1996</b>  <b>Division of Public Lands</b>  <b>(Currently Office of Public Lands)</b>  <b>Audit of the Saipan Fishing Center and the Lease of the Garapan Fishing Base</b></p>			
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)	
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)	

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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 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>	AGO	Resolved Active	<p>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, OPA closed only the portion of the recommendation pertaining to Corporation A.</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</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><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>

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

**3. Report No. AR-00-04 issued November 22, 2000  
Division of Public Lands  
(Currently Office of Public Lands)  
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  
 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)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Board of Public Lands should require the DPL Director to take steps to collect the \$4.69 million 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.	BPL	Resolved Active	<p>After billings were sent, quarry operator H paid \$789.87 as full payment. However, the amount of \$946,967.58 owed by quarry operator B will be 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 OPL is as follows:</p> <p>a. Quarry operator A is experiencing financial difficulty in meeting its obligations, and requested OPL to waive additional royalties assessed. OPL needs to present the matter to the Board for proper disposition.</p> <p>b. Quarry operator C was required by OPL to submit a payment schedule to pay off its arrears. The matter will be referred to AGO if no payment schedule is submitted to OPL.</p> <p>c. Quarry operator D proposed a payment schedule to pay off the account. However, due to the substantial amount, OPL sought the assistance of AGO in drafting a</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	Open Active	<p>promissory note for the payment of the arrearage.</p> <p>d. Quarry operator E agreed with OPA's finding, except the assessment of royalty on materials stockpiled as inventory. OPL asked quarry operator E to submit its written concerns with OPA's findings.</p> <p>e. Quarry operator F contested the assessment of guaranteed annual minimum rental from 3/1/90 to 7/12/91, claiming that there were no extractions or quarry activities during that period. However, OPL responded that a royalty report for the particular period was provided to OPA which indicated the extractions had taken place.</p> <p>f. Quarry operator G made a partial payment of \$30,072.91 on 9/5/00 for the undisputed charges, and requested clarification on some discrepancies. OPL will provide quarry operator G a reconciliation of the outstanding balance.</p> <p>Of the \$3,742,950.36 to be collected from the six quarry operators, quarry operator G partially paid \$30,072.91, leaving a balance of \$3,712,877.45 still to be collected.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA the status of actions taken as to the six quarry operators until full recovery or settlement of the remaining \$3,712,877.45 in unpaid lease rentals and interest.</p>
			<p>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.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copies of the results of the review and supporting documents.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. The Board of Public Lands should require the DPL Director to develop and implement written policies and procedures to ensure that all rental amounts payable under the lease agreements or permits are assessed, collection of all lease amounts payable is pursued, and timely action against erring lessees is taken. Include in the policies and procedures to be developed the following: (a) monitoring the submission of required financial documents by the lessees; (b) checking whether the report of material extracted is complete and accurate, and whether the royalty computations have complied with the terms of the lease and are accurate; and (c) scheduling periodic on-site inspections of quarry sites.</p>	BPL	Open Active	<p>The response expressed concurrence with the recommendation, and stated that DPL will update its existing policies and procedures to ensure that rentals due under the lease agreements or permits are accurately assessed and collected in a timely manner, and that submission of all required reports are consistently monitored.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA a copy of the revised policies and procedures.</p>
<p>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.</p>	BPL	Resolved Active	<p>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.</p> <p>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 letter. We consider the part of the recommendation pertaining to quarry operators E and H closed.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copies of documents evidencing communication with the remaining lessees, i.e., quarry operators F and G.</p>
<p>7. The Board of Public Lands should instruct the DPL Director to require</p>	BPL	Open Active	<p>The response did not address the recommendations.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>lessees to submit a certification of no quarry operations during periods when they claim no quarry operations. This should be signed by an official of the quarry operator and should indicate the reason for non-operation.</p>	BPL	Open Active	<p><i>Further Action Needed</i></p> <p>Provide OPA a copy of the written policies and procedures for a certification requirement when lessees claim no quarry operations, and for contract renewal monitoring.</p>
<p>8. The Board of Public Lands should require the DPL Director to develop and implement written policies and procedures to ensure that all quarry operators who remain in possession of the leased area are holding valid quarry permits. The policies and procedures to be developed should include the monitoring of contract renewals.</p>	BPL	Open Active	<p><i>Further Action Needed</i></p> <p>Provide OPA a copy of the written policies and procedures for a certification requirement when lessees claim no quarry operations, and for contract renewal monitoring.</p>
<p>9. The Board of Public Lands should require the DPL Director to amend the conditions for quarry lease agreements/permits to include (and include in future agreements/permits) a provision that government agencies will be exempt from paying any cost for material extracted from a government-owned quarry site because the sites are government properties and the lessees/permit holders are making substantial profits in their quarry operations. In return, the lessee should be exempt from paying a royalty on the quantity of material quarried by a government agency. The suggested provision can help reduce CNMI government costs.</p>	BPL	Open Active	<p>The response expressed concurrence with the recommendation, and stated that DPL will consider adding to its future quarry lease agreements/permits a provision that exempts government agencies from paying any cost/fee for material extractions from a designated government quarry site. Further consideration will be given to exempting quarry operators from paying royalty fees on any quantity of quarry materials taken by government agencies from quarry sites, more specifically if the extractions are for public purposes.</p> <p><i>Further Action Needed</i></p> <p>Provide OPA a copy of sample quarry lease agreements/permits including the recommended provision.</p>

# 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  
 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 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  
 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>
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  
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>
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	The Commissioner in her letter to OPA stated that the PSS Legal Counsel would take immediate action to recover the funds.  <i>Further Action Needed</i>  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.
4.	The 50 <sup>th</sup> Golden Jubilee executive committee should collect the 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.	WSR 50 <sup>th</sup> Golden Jubilee Executive Committee	Open Delinquent	The President should provide copies of the (1) official receipts representing collections 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  
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	PSS	Resolved Delinquent	PSS will comply with the recommendation. It will maintain subsidiary ledgers for all schools (public and private), and a master list



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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.</p>	PSS	Open Delinquent	<p>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.</p> <p><i>Further Action Needed</i></p> <p>PSS should provide OPA a copy of the reconciliation of the inventory with the master list.</p>
<p>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 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>	PSS	Open Delinquent	<p>No action has been taken to address the recommendation. PSS should consider and implement the recommendation.</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	<p>No action has been taken to address the recommendation. PSS should consider and implement the recommendation.</p>

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The Commissioner of Education issue a directive immediately disallowing the use of the Trust Fund to pay the vendors of the Food Court. If PSS wants to continue with the operation of the Food Court, it should use other funds for that purpose or seek to have the Pachinko Law amended to authorize continued use of the Trust Fund for the operation of the Food Court.</p>	PSS	Resolved Delinquent	<p>The Commissioner stated that for SY 2000-2001, the MHS Food Court is Federally funded pursuant to the Nutrition Assistance Grant.</p> <p><b>Further Action Needed</b></p> <p>The Commissioner should provide documentation such as a directive or any document showing that PSS has ceased to use the Trust Fund to pay the vendors of the Food Court.</p>
<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> <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>	DOF - Redirected to PSS	Resolved Delinquent	<p>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.</p> <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>3. The Commissioner of Education instruct the PSS Legal Counsel to determine the extent of the MHS Principal's liability for his role in the violation of the Planning and Budgeting Act and the BOE Policy on fundraising.</p>	PSS	Closed	<p>OPA is closing the recommendation on the basis that the violations were not intentional and were mere questions of clarifications. However, we will refer to AGO the matter of the applicability to PSS of the provisions of the Planning and Budgeting Act (PBA), specifically 1 CMC §7402 and §7701.</p> <p>PSS, as a component of the Commonwealth Government, should abide by the PBA. BOE</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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.	PSS	Open Delinquent	<p>Policy 701.4(a) even states that it is BOE's intention to comply with the provisions of any and all applicable laws that are related to the preparation and presentation of budgets and the budgeting process. Mentioned among the applicable laws is PBA.</p> <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>
5. The Commissioner of Education issue a memorandum requiring the MHS Principal to refer all Food Court procurement to the PSS Procurement Office, and refrain from conducting procurement actions for goods and services needed by the Food Court.	PSS	Closed	<p>Based on information gathered, the Procurement Officer and MHS are now working together under the PSS procurement regulations and the MOU between PSS/FNS and MHS. All procurement actions for goods and services needed by the Food Court are now referred to the PSS Procurement Office, which sufficiently addressed the recommendation.</p>

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
6.	The Commissioner of Education consider enforcing employment sanctions against the Food Court Custodian for violating the ethics provision of the PSSPR.	PSS	Closed	The Commissioner of Education dismissed the violations as mere questions of clarification rather than purposeful failure to abide by the PSSPR.
7.	The Commissioner of Education instruct the PSS Legal Counsel to determine the extent of personal liability of the MHS Principal and MHS Food Court Custodian for their roles in the violation of key provisions of the PSSPR.	PSS	Closed	We are closing Recommendations 6 and 7 because the violations were unintentional and no harm was actually done.
8.	The Commissioner of Education require the MHS Principal, in coordination with the PSS Fiscal and Budget Officer, to establish internal controls and written policies and procedures for the accounting of cash receipts at the Food Court.	PSS	Closed	Although she did not directly concur with the recommendation, the Commissioner on November 2, 2000 issued a memorandum to the MHS Principal directing that an accountability form be used in the accounting of cash receipts. The memorandum also directed the MHS Principal to transmit cash collections of the MHS Food Court to the PSS Treasury for deposit. Per inquiry to the PSS Treasurer, MHS is now submitting its collections to the PSS Treasury. The memorandum and the actions taken were sufficient to consider the recommendation closed.

**6. Public School System  
Independent Auditor's Report on Internal Control and on Compliance  
Year Ended September 30, 1997**

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

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

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
1.	PSS should ensure that detailed records of budget amounts versus actual expenditures are maintained, and adjustments are made to transfers in and receivables for lapsed funding.	PSS	Resolved Delinquent (Outstanding since FY1995 Single Audit)	According to PSS, receivables due from the CNMI were recorded as transfers even though they were not received during or subsequent to the fiscal year. In the future, PSS will reconcile receivables due from the CNMI to actual cash receipts within 90 days from the end of the fiscal year. Any

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>receivable due after that will be referred to a collection agency for collection.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of appropriate reconciliation procedures between PSS and the CNMI.</p>
2. PSS should implement procedures to ensure adherence to procurement policies.	PSS	Open Delinquent (Outstanding since FY1995 Single Audit)	<p>PSS moved in 1996 and some documents were misplaced. Extra efforts will be made to file supporting documentation promptly and maintain these files., as stated in auditee response.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of procedures implemented to ensure adherence to procurement policies.</p>
3. PSS should implement a system whereby a receivable/payable account records all cash received from the grantor agency and records all related expenditures.	PSS	Resolved Delinquent (Outstanding since FY1995 Single Audit)	<p>PSS at the end of the fiscal year will reconcile federal cash received to actual expenditures and then establish the total receivable at September 30. This summary will be the basis for establishing the cash receipts, expenditure and receivable due by account number, by grant and by grantor agency.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of procedures established to reconcile Federal cash received with actual expenditures, and to establish total receivables at September 30, as stated in auditee response.</p>
4. PSS should adhere to prescribed procedures for posting inter-fund journal entries.	PSS	Resolved Delinquent (Outstanding since FY1996 Single Audit)	<p>According to PSS, its accounting section will be tasked with performing the reconciliations between funds on a monthly basis so that it can more accurately pinpoint financial status by activity, by school/program, by grant and by fund.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA with actions taken to follow prescribed procedures for posting journal entries.</p>

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
5.	PSS should only make adjustments to opening fund balances, when a material prior period error is noted.	PSS	Open Active	Provide OPA copy of actions taken to ensure that adjustments are made on material prior period errors.
6.	PSS should roll-forward balances at the beginning of each fiscal year.	PSS	Closed	According to PSS, its new system provides inception, cumulative and period of reporting which includes prior year ending balances. Year-end balances roll over at the beginning of the new fiscal year.
7.	PSS should improve internal controls over inventory by using pre-numbered receiving reports and inventory issuance slips, and maintaining subsidiary ledgers or stock cards to facilitate reconciliation of year end inventory balances.	PSS	Open Delinquent (Outstanding since FY1995 Single Audit)	<p>According to PSS, 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 of inventories.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of procedures adopted to upgrade the entire system of accounting for inventories, as stated in auditee response.</p>
8.	PSS should perform a physical inventory of all fixed assets on hand, reconcile the count with its records, and make necessary adjustments.	PSS	Resolved Delinquent (Outstanding since FY1989 Single Audit)	<p>According to PSS, a fixed asset accounting software was purchased, and PSS has entered into a contract to provide training to its accounting and procurement staff on how to implement this fixed asset accounting system.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA copy of actions taken to provide training to accounting and procurement on how to implement the fixed assets accounting system, as stated in auditee response.</p>
9.	PSS should establish policies and procedures to produce appropriate financial reports after the close of an accounting period.	PSS	Open Active	Provide OPA copy of policies and procedures in preparing financial reports as stated in auditee response.
10.	PSS management should review the items in the encumbrance ledger to ensure that the encumbrances are properly recorded and valid.	PSS	Open Delinquent (Outstanding since FY1995 Single Audit)	Provide OPA copy of actions taken to review the encumbrance ledger.

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
11.	PSS should maintain adequate documentation in compliance with PSSPRR for purchases, and ensure that these documents are appropriately retained.	PSS	Open Active	Provide OPA copy of actions taken to improve its document retention procedures as stated in auditee response.
12.	PSS should comply with PSSPRR and ensure that the documents are safeguarded from loss.	PSS	Open Active	Provide OPA copy of actions taken to improve its document retention procedures as stated in auditee response.
13.	PSS should ensure that all records are properly maintained.	PSS	Open Active	Provide OPA copy of actions taken to develop a computerized file for each employee, which are to be maintained in both hard and floppy discs in addition to the original signed hard copy that constitutes the employee masterfile, as stated in auditee response.
14.	PSS should institute policies and procedures to control access to and custodianship of participant files.	PSS	Resolved Delinquent (Outstanding since FY1993 Single Audit)	Provide OPA copy of updated policies and procedures developed to revise and update the Special Education policy and procedures handbook, as stated in auditee response.
15.	PSS should ensure that all documents are appropriately retained.	PSS	Open Active	Provide OPA copy of actions taken to develop a computerized file for each employee, which are to be maintained in both hard and floppy discs in addition to the original signed hard copy that constitutes the employee masterfile.
16.	PSS should comply with PSSPRR.	PSS	Open Active	Provide OPA copy of procedures to file all supporting documentation for expenditures and secure these documents numerically filed in locked filing cabinets, as stated in auditee response.
17.	PSS should establish stringent controls to ensure that all required documents of eligibility are submitted by each applicant.	PSS	Open Delinquent (Outstanding since FY1995 Single Audit)	Provide OPA copy of procedures adopted to ensure that child enrollment documents are properly filed and maintained in a locked file, as stated in auditee response.
18.	PSS should implement policies and procedures that will control access to and improve custodianship of participant files.	PSS	Open Active	Provide OPA copy of standard operating procedures implemented under the Child Care Program, as stated in auditee response.

	Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
19.	PSS should ensure that the School Food Authority maintains applications on file in accordance with FNS guidelines.	PSS	Resolved Delinquent (Outstanding since FY1995 Single Audit)	According to PSS, it will require FNS staff to sign and date the application showing independent verification of food stamp numbers.  <b>Further Action Needed</b>  Provide OPA copy of filing policies and procedures adopted to ensure appropriate records retention.
20.	PSS should ensure that all reports are prepared as of the date noted, and be supported by a detailed printout of the general ledger to facilitate reconciliation.	PSS	Resolved Delinquent (Outstanding since FY1996 Single Audit)	According to the PSS Commissioner, this has been corrected by transferring this function from the Fiscal and Budget office to the Federal Programs office beginning State Year 1998.
21.	PSS should prepare and retain an annual report.	PSS	Open Active	PSS subsequently prepared an annual report for fiscal year 1997.
22.	PSS should ensure that annual Single Audits are contracted prior to year end.	PSS	Open Delinquent (Outstanding since FY1992 Single Audit)	An RFP for FY1998 and FY1999 has already been issued.
23.	PSS should submit the SF-269A in compliance with the Memorandum of Understanding, and maintain and adhere to a schedule of Federal reporting deadlines.	PSS	Resolved Delinquent (Outstanding since FY1994 Single Audit)	According to the PSS Commissioner, this has been corrected by transferring this function from the Fiscal and Budget office to the Federal Programs office beginning State Year 1998.
24.	PSS should maintain and adhere to a schedule of reporting deadlines for submitting its Plan of Operations to the Food and Nutrition Service (FNS) by August 15 of each year.	PSS	Resolved Delinquent (Outstanding since FY1996 Single Audit)	PSS responded that enhanced efforts will be made to adhere to document submission dates.  <b>Further Action Needed</b>  Provide OPA copy of actions taken to adhere to document submission dates.
25.	PSS should maintain and adhere to a schedule of reporting deadlines for submission of annual reports which are due ninety calendar days after the grant year.	PSS	Resolved Delinquent (Outstanding since FY1996 Single Audit)	PSS responded that enhanced efforts will be made to submit reports on or before the due date.  <b>Further Action Needed</b>  Provide OPA copy of actions taken to adhere to document submission dates.



	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
26.	PSS should adhere to grant terms and conditions.	PSS	Open Delinquent (Outstanding since FY1992 Single Audit)	Provide OPA copy of actions taken to establish a waiting list and enroll additional children as soon as there are slots available, as stated in auditee response.
27.	PSS should reconcile records for all amounts reported to the grantor agency, and perform any transfers between grant years on a timely basis.	PSS	Resolved Delinquent (Outstanding since FY1995 Single Audit)	Provide OPA copy of reconciliation of records using a report run on the same day, as stated in auditee response.
28.	PSS should establish a system to ensure that appropriate records are maintained and are accessible for the required period.	PSS	Resolved Delinquent (Outstanding since FY1995 Single Audit)	According to the PSS Commissioner, this has been corrected by transferring this function from the Fiscal and Budget office to the Federal Programs office beginning State Year 1998.
29.	PSS should prepare and retain all required Federal financial reports.	PSS	Resolved Delinquent (Outstanding since FY1996 Single Audit)	Provide OPA with action taken to retain documentation that shows compliance with established Federal reporting procedures, as stated in auditee response.
30.	PSS should properly document the filing of federal financial reports.	PSS	Open Active	According to the PSS Commissioner, this has been corrected by transferring this function from the Fiscal and Budget office to the Federal Programs office beginning State Year 1998.
31.	PSS should ensure adherence to reporting requirements of the Financial Status Report (SF-269) which is due within thirty days after the quarter end.	PSS	Open Active	Provide OPA with actions taken to retain documentation that shows compliance with established federal reporting procedures.
32.	PSS should maintain adequate documentation for purchases and ensure that the documents are safeguarded from loss.	PSS	Open Active	Provide OPA copy of procedures adopted to ensure that child enrollment documents are properly filed and maintained in a locked file, as stated in auditee response.

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
33.	PSS should ensure that appropriate accounting policies and procedures are established for fixed assets.	PSS	Open Delinquent (Outstanding since FY1989 Single Audit)	Provide OPA with actions taken to ensure that required records relating to fixed assets are maintained.

# Tinian Casino Gaming Control Commission

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

Date(s) of followup letter(s) sent : 10/27/94, 11/18/94, 1/13/95, 7/6/95, 7/1/96, 12/2/96, 2/02/98, 9/18/98, 11/29/99, 7/11/00, 1/18/01, 8/23/01  
 Date(s) of response letter(s) received : 12/19/94, 8/8/96 (Extension requested up to 10/8/96), 4/14/99, 5/21/01 (meeting with TCGCC Executive Director), 5/24/01, 9/18/01

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
5.	The Chairman of the TCGCC should initiate action to amend the existing regulations concerning the eligibility requirements for appointment as a Commission member (Part II. Section 5 (6) of the Casino Act).	TCGCC	Closed	In her May 24, 2001 response, the TCGCC Executive Director informed OPA that the Commission submitted the proposed amendments to the revised TCGCC Act of 1989, which include OPA's recommendation, to the Mayor's Casino Task Force Committee in July 1999. However, the Committee did not take the recommendation into consideration. The actions initiated by the Commission is sufficient to close the recommendation.
18.	The Chairman of the TCGCC should establish written policies regarding individuals who might be allowed to travel using Gaming Commission funds.	TCGCC	Closed	This recommendation is included in OPA's ongoing audit of TCGCC for fiscal years 1996 to 1997 and is therefore considered superseded and closed.
19.	The Chairman of the TCGCC should establish formal regulations to control official representation and grocery expenses.	TCGCC	Closed	In her May 24, 2001 response, the TCGCC Executive Director provided OPA a copy of TCGCC's revised Official Representation Policy which include the specific provisions recommended by OPA. Thus, the recommendation is considered closed.
25.	The Chairman of the TCGCC should establish in writing and enforce regulations in TR authorization requirements and voucher computations. The Gaming Commission should not allow a traveler to authorize his own travel.	TCGCC	Closed	Based on OPA's ongoing audit of TCGCC for fiscal years 1996 and 1997, no traveler authorized his own travel. Thus, the recommendation is considered closed.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>29. The Chairman of the TCGCC should issue (1) a directive assigning a person to monitor the receipts and disbursements of licensing cost deposit, (2) policies for proper documentation of charges against the licensing cost deposits of applicants, (3) procedures on an acceptable method of allocating operating and overhead cost to applicants' licensing cost, (4) a directive requiring the accountant to make the necessary adjustments to the financial statements, (5) policies for the revised duties and responsibilities of the Gaming Commission and the Municipal Treasurer, (6) a directive requiring the Municipal Treasurer to deposit all local revenues generated from casino-related operation to the Municipal Treasurer bank account, and (7) a directive requiring that the staff assigned to process payrolls study and strictly comply with the rules on taxes.</p>	TCGCC	Resolved Active	<p>The 4/14/99 response stated that memoranda to address the recommendation were attached. However, no memoranda were in fact attached.</p> <p>Based on OPA's ongoing audit of TCGCC for fiscal years 1996 and 1997, items 1, 4, 5, 6 and 7 were already addressed. The Tinian Municipal Treasurer (TMT) was the person assigned to monitor the receipts and disbursements of licensing cost deposit, and to deposit all local revenues generated from casino-related operation to the Municipal Treasurer bank account. Adjustments to the financial statements were consistently made by the Accountant. The computation of payroll taxes was accurate and the duties and responsibilities of the TMT were already established. Thus, items 1, 4, 5, 6, and 7 of the recommendation are considered closed.</p> <p>In her 9/18/01 response, the TCGCC Executive Director provided OPA a draft of TCGCC's Licensing Cost Disbursement Procedures to address item 2 of the recommendation. The drafted procedures will be discussed for approval in the Commission's October 2001 meeting.</p> <p>In addition, a copy of the Costs of Processing a Casino License Application published in the Commonwealth Register was also provided to OPA to address item 3. Thus, Item 3 of the recommendation is considered closed.</p> <p><b>Further Action Needed</b></p> <p>Provide OPA the final copy of TCGCC's Licensing Cost Disbursement Procedures when approved by the Commission to close item 2 of the recommendation.</p>

**2. 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)  
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)

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 Active	<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><b>Further Action Needed</b></p> <p>AGO should provide OPA an update on the status of the ongoing investigation.</p>

## Workmen's Compensation Commission

**I. CNMI Workmen's Compensation Commission  
Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
Year Ended September 30, 2000**

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Workmen's Compensation Commission (WCC) personnel should either reconcile the subsidiary to the general ledgers themselves or ensure that monthly reconciliations are performed and documented.	WCC	Open Active	No response was received from the auditee as of report date.  <i>Further Action Needed</i>  Provide OPA copy of actions taken to address the recommendation.

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# 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  
 Date(s) of response letter(s) received : 10/6/99, 9/25/01

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
5. The Washington Representative should issue a directive requiring WRO personnel to comply with CNMI personnel policies and procedures for excepted service employees with regard to employment conditions, leave policy, position qualification requirements, and other personnel administration requirements, unless deviations are specifically authorized.	WRO	Closed	Attached to the written response on 9/25/01 were copies of employment contracts of WRO employees. OPA was able to ascertain by reviewing the contracts that WRO is in compliance with the CNMI personnel policies and procedures on employment conditions, leave policy, position qualification and other administration requirements. The documents provided were sufficient to consider the recommendation closed.
7. The Washington Representative should issue a directive requiring WRO employees receiving housing allowance to provide WRO with documents (e.g., copy of lease agreement) demonstrating the actual cost of housing, and informing employees that they will be reimbursed only for actual housing costs not exceeding the maximum amount established by WRO.	WRO	Resolved Active	In the 9/25/01 response from WRO, it was stated that of the 13 WRO staff, only 7 are receiving housing allowance of \$1,500 as provided for in their employment contracts. Based on OPA's ongoing audit of WRO, this recommendation has not yet been implemented. However, this matter is under review to determine if there is a need to modify or totally revise the recommendation.

	<b>Recommendation</b>	<b>Agency to Act</b>	<b>Status</b>	<b>Agency Response/ Additional Information or Action Required</b>
8.	The Washington Representative should issue a directive instructing the WRO Fiscal Officer to compute budget estimates for housing allowance based on the projected number of employees receiving housing allowance.	WRO	Closed	In the 9/25/01 response from WRO, OPA was provided a copy of a letter from the Resident Representative to the Fiscal Officer instructing her to compute budget estimates for housing allowance based on projected number of employees beginning FY2002. In addition, the Fiscal Officer was reminded that all leave application must be based on the DOF Master Leave report. The letter sufficiently addressed Recommendations 8 and 9.
9.	The Washington Representative should issue a directive requiring WRO administrative staff to use DOF's Master Leave Report as a management tool for authorizing leave, particularly when advance leave is requested.	WRO	Closed	
15.	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.	WRO	Resolved Active	<p>In the 9/25/01 response from WRO, it was stated that the \$2,200 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 \$2,200. This portion of the recommendation pertaining to the \$2,200 employee loan is considered closed.</p> <p>For the \$2,500 loan, the 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 and will begin monthly payment until such loan is paid in full. 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><b>Further Action Needed</b></p> <p>The portion of the recommendation pertaining to the \$2,500 loan is considered resolved. WRO should provide OPA copies of documents evidencing receipt of payment by WRO of the \$2,200 balance remaining until fully collected.</p>

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# APPENDIX A

## Acronyms Used

AAG	Assistant Attorney General
AGO	Office of the Attorney General
AR	Audit Report
AWOL	Absence Without Leave
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
CFDA	Catalogue 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
CNMI-PR	Commonwealth of the Northern Mariana Islands - Procurement Regulations
CPA	Commonwealth Ports Authority
CSC	Civil Service Commission
CUC	Commonwealth Utilities Corporation
DCCA	Department of Community and Cultural Affairs
DDC	Developmental Disabilities Council
DFW	Division of Fish and Wildlife
DLI	Department of Labor and Immigration
DLNR	Department of Lands & Natural Resources
DOC	Department of Commerce
DOF	Department of Finance
DOI	US Department of the Interior
DPH	Department of Public Health
DPL	Division of Public Lands
DPS	Department of Public Safety
DPW	Department of Public Works
EDP	Electronic & Data Processing
EMO	Emergency Management Office
FAR	Federal Acquisition Regulations
FASB	Financial Accounting Standards Board
FLSA	Fair Labor Standards Act
FMS	Financial Management System
FNS	Food and Nutrition Services

FTE	Full Time Employment
FY	Fiscal Year
GASB	Government Accounting Standards Board
GHLIB	Government Health and Life Insurance Branch
GHLITF	Government Health and Life Insurance Trust Fund
GOV	Office of the Governor
HCFA	Health Care Financing Administration
HOUSEREP	House of Representatives
HRDTF	Human Resources Development Trust Fund
HUD	Housing and Urban Development
ID	Identification
LEGBUREAU	Legislative Bureau
LIBCOUNCIL	Library Council
LT	Letter Report
ME	Management Evaluation
M/HLO	Marianas/Hawaii Liaison Office
MHS	Marianas High School
MOU	Memorandum of Understanding
MPLC	Marianas Public Land Corporation
MPLT	Marianas Public Land Trust
MRO	Medical Referral Office
MVA	Marianas Visitors Authority
NAP	Nutrition Assistance Program
NIMO	Northern Islands Mayor's Office
NMC	Northern Marianas College
NMHC	Northern Marianas Housing Corporation
NMI-GHLITF	Northern Mariana Islands Government Health and Life Insurance Trust Fund
NMIRF	Northern Mariana Islands Retirement Fund
OMB	Office of Management and Budget
OPA	Office of the Public Auditor
OPL	Office of Public Lands
OPM	Office of Personnel Management
OR	Official Receipt
PBA	Planning and Budgeting Act
PDO	Public Defender's Office
P&S	Procurement & Supply
PIEI	Pacific Islands Education Initiative
PO	Purchase Order
PSPSRR	Public School Personnel System Rules and Regulations
PSSPR	Public School System Procurement Regulations
PSSRJ	Personnel Service System Regulations Judiciary
PSSRR	Personnel Service System Rules and Regulations
PSS	Public School System
RFP	Request for Proposals
RHC	Rota Health Center
RMC	Rota Municipal Council

RMO	Rota Mayor's Office
SAA	Special Assistant for Administration
SMC	Saipan Municipal Council
SMO	Saipan Mayor's Office
SPMC	Supreme Court
SPRC	Superior Court
STS	Summary Time Sheet
TCGCC	Tinian Casino Gaming Control Commission
TMC	Tinian Municipal Council
TMO	Tinian Mayor's Office
TMT	Tinian Municipal Treasurer
TR	Travel Request
TSD	Technical Services Division
TV	Travel Voucher
US	United States
UTR	Unposted Transaction Reports
WASHREP	Washington Representative
WCC	Workmen's Compensation Commission
WRO	Washington Representative's Office
WSR	William S. Reyes

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