

EXECUTIVE SUMMARY

Audit Recommendations Tracking Report As of June 30, 2003

Report No. TR-03-01, December 1, 2003

Summary

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

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

For the first six months of 2003, OPA issued 4 audit reports, two of which were to the Commonwealth Utilities Corporation, one to the Northern Marianas College, and one to the Attorney General's Office which set forth a total of 24 recommendations added into the tracking system. The 24 recommendations were in addition to the 81 recommendations outstanding at the beginning of the year, making a total of 105 recommendations tracked for the first six months of 2003. Of the 105 audit recommendations, 25 were closed and 80 remained either open or resolved. Of the 80 open or resolved recommendations, 29 were considered delinquent.

The table below presents the status of OPA's audit recommendations for the first six months of 2003.

Status of Audit Recommendations	up to 6/30/03
Number of Audit Reports Issued, January to June 2003	4
Outstanding Recommendations, Beginning of Year	81
Recommendations Made, January to June 2003	24
Total Recommendations Tracked for the Year	105
Less: Closed Recommendations	(25)
Outstanding Recommendations as of June 30, 2003 (Open or Resolved)	80
Number of Delinquent Recommendations	29

An analysis of the 25 closed recommendations for the first six months of 2003 showed that most were closed because agencies acted by implementing policies and procedures, and by issuing memoranda and directives to reemphasize the need to comply with existing laws and regulations. Also, OPA was provided copies of legal determinations as recommended by OPA which were sufficient to close five recommendations.



The table below shows a breakdown of actions taken by the agencies to close the 25 recommendations.

Actions Taken to Close Recommendations	No. of Closed Recommendations
Implementation of Recommendation; Drafting Policies and Procedures/Regulations; and Issuance of Memoranda and Directives	9
Legal Determination Obtained	5
Alternative Actions Taken Sufficient to Close the Recommendations	4
Compliance with Regulations	3
Dropped by OPA due to employees in question no longer working for the office	3
Recovery of Monies Improperly Disbursed	1
Total for the First Six Months of 2003	25

OPA's follow-up on outstanding audit recommendations and the response letters received from various government agencies also encouraged agency action on delinquent recommendations. The number of delinquent recommendation decreased by 48% from 56 in 2002 to 29 as of June 30, 2003.

Recommendations issued by private CPA firms are also included in OPA's audit recommendations tracking report. OPA is not responsible for tracking the implementation of these recommendations, however, they are included in the audit tracking report for information purposes. Based on the classification followed by private CPA firms, a recommendation is described as either *resolved* or *unresolved*. OPA has included in the tracking report a total of 294 recommendations in 19 audit reports issued by private CPA firms. Of the 294 recommendations, 60 were considered resolved leaving a balance of 234 recommendations still outstanding.

As of June 30, 2003, recommendations in 12 audit reports were referred to the Attorney General's Office for legal action to recover monies improperly expended. According to OPA's audit reports, approximately \$1,085,954 is potentially recoverable.

Potential recovery of approximately \$5.7 million also hinges on agencies' actions. Recommendations in 15 audit reports identified potential recoveries due to unpaid rentals of land leases, overpayments in professional services contracts, outstanding advances, and improper expenditure of public funds. As of June 30, 2003, initial actions by agencies resulted in partial recovery of \$193,144, one claim re-directed to the AGO, one claim totaling \$10,000 fully recovered, and one claim totaling \$369,866 was withheld from the Public School System's FY2002 mandated budget to recover Trust Funds unlawfully used leaving a balance of \$5,701,639 still to be recovered.

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



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

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Report on CNMI Agencies' Implementation of
Audit Recommendations
As of June 30, 2003

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Commonwealth of the Northern Mariana Islands





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REPORT ON CNMI AGENCIES' IMPLEMENTATION OF AUDIT RECOMMENDATIONS AS OF JUNE 30, 2003 (with agency responses up to November 12, 2003 incorporated)

December 1, 2003

Interagency Audit Coordinating Advisory Group
Saipan, MP 96950

Enclosed is a copy of the report on CNMI agencies' implementation of audit recommendations included in audit reports issued by the Office of the Public Auditor (OPA) as of June 30, 2003. OPA tracked a total of 105 audit recommendations during the period from January 1 through June 30, 2003.

We have also included in this report recommendations issued by private Certified Public Accounting (CPA) firms. OPA is not responsible for tracking the implementation of these recommendations, however, they are included in the audit tracking report for information purposes. As of June 2003, there was a total of 294 recommendations in 19 audit reports issued by private CPA firms.


OPA issued one procurement report, *i.e.*, decision on appeal during the first six months of 2003 on the procurement of medical manpower services for CHC. Based on OPA's Protest Decision No. 03-004, the appeal was denied.

Although the Coordinating Group members did not meet during the first six months of 2003, OPA again issued follow-up letters and/or called various government agencies with outstanding audit recommendations as of June 30, 2003. Also, a copy of agency responses to the CNMI Single Audit and other audit recommendations were provided to the Independent Auditor who conducted the audit to determine if the actions taken were sufficient to consider the recommendations resolved or closed. This report incorporates agency responses to follow-up letters which OPA received on or before November 12, 2003. The response letters received resulted in the closure of 25 audit recommendations. The number of delinquent

recommendations also decreased by 48% from 56 in 2002 to 29 as of June 30, 2003.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Msablan". The signature is fluid and cursive, with the first letter being a large, stylized 'M'.

Michael S. Sablan, CPA
Public Auditor

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

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Introduction

Background

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

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

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

The Coordinating Group members did not meet with OPA and agency heads in 2001 and 2002. OPA, however, sent follow-up letters and/or called various government agencies asking them what actions were taken toward addressing the outstanding recommendations. In 2001, OPA met on various dates with government agencies such as the Commonwealth Development Authority, the Commonwealth Ports Authority, the Department of Community and Cultural Affairs, the Department of Finance, the Department of Lands and Natural Resources, the Department of Public Safety, the Department of Public Works, the Emergency Management Office, the Medical Referral Office, the Northern Mariana Islands Retirement Fund, the Office of the Governor, the Office of Management and Budget, the Public School System, the Saipan Mayor's Office, the Tinian Casino Gaming Control Commission, and the Washington Representative's Office, to discuss and clarify actions to be taken to close outstanding recommendations. Meetings on various dates were also held

in 2002 with government agencies such as the Department of Community and Cultural Affairs, the Commonwealth Utilities Corporation, the Division of Fish and Wildlife, the Legislature, the Northern Mariana Islands Retirement Fund, and the Attorney Generals Office to discuss and clarify actions to be taken to close outstanding recommendations. Also, a copy of agency responses to the CNMI Single Audit and other audit recommendations were provided to the Independent Auditor who conducted the audit to determine if the actions taken were sufficient to consider the recommendations closed.

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

Although the Coordinating Group members did not meet during the first six months of 2003, OPA again issued follow-up letters and/or called various government agencies with outstanding audit recommendations as of June 30, 2003. This report incorporates agency responses to follow-up letters which OPA received on or before November 12, 2003. The response letters received resulted in the closure of 25 audit recommendations. In accordance with statutory restrictions in the Auditing and Ethics Acts, the names of individuals and entities in the audits are not disclosed in this report.

Audit Recommendations Tracking System

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

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

Status of Audit Recommendations

For the first six months of 2003, OPA issued 4 audit reports, two of which were to the Commonwealth Utilities Corporation, one to the Northern Marianas College, and one to the Attorney General's Office which set forth a total of 24 recommendations added into the tracking system. The 24 recommendations were in addition to the 81 recommendations outstanding at the beginning of the year, making a total of 105 recommendations tracked for the year. Of the 105 audit recommendations, 25 were closed and 80 remained either open or resolved. Of the 80 open or resolved recommendations, 29 were considered delinquent.

The following table presents a comparative schedule of the status of all our audit recommendations for calendar years 2001, 2002 and for the first six months of 2003.

Status of Audit Recommendations	2001	2002	up to 6/30/ 03
Number of Audit Reports Issued During the Year	10	4	4
Outstanding Recommendations, Beginning of Year	199	112	81
Recommendations Made		13	24
Total Recommendations Tracked for the Year	199	125	105
Less: Closed Recommendations	(87)	(44)	(25)
Outstanding Recommendations, End of Year (Open or Resolved)	112	81	80
Number of Delinquent Recommendations	47	56	29

The response letters received from various government agencies resulted in closure of recommendations and encouraged agency action on delinquent recommendations. OPA closed 25 or 23 percent of the 105 recommendations it tracked in the first six months of 2003. The number of delinquent recommendations also decreased by 48 percent as of June 30, 2003.

Independent Auditor's Report

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

OPA has included in the tracking report a total of 294 recommendations in 19 audit reports issued by private CPA firms. Of the 294 recommendations, 60 were considered resolved leaving a balance of 234 recommendations still outstanding.

Other OPA Reports

OPA issued one procurement report, *i.e.*, decision on appeal during the first six months of 2003 on the procurement of medical manpower services for CHC. Based on OPA's Protest Decision No. 03-004, the appeal was denied.

Closed Recommendations

An analysis of the 25 closed recommendations for the first six months of 2003 showed that most were closed because agencies acted by implementing policies and procedures, and by issuing memoranda and directives to reemphasize the need to comply with existing laws and regulations. OPA was also provided copies of legal determinations as recommended by OPA which were sufficient to close five recommendations. The following table shows a breakdown of actions taken by the agencies to close the 25 recommendations.

Actions Taken to Close Recommendations	No. of Closed Recommendations
Implementation of Recommendation; Drafting Policies and Procedures/ Regulations; and Issuance of Memoranda and Directives	9
Legal Determination Obtained	5
Alternative Actions Taken Sufficient to Close the Recommendations	4
Compliance with Regulations	3
Dropped by OPA due to employees in question no longer working for the office	3
Recovery of Monies Improperly Disbursed	1
Total for the First Six Months of 2003	25

Delinquent Recommendations

Delinquent recommendations decreased by 29 (48%) from 56 in 2002 to 29 for the first six months of 2003.

Year	2001	2002	up to 6/30/03
1994	0	3	3
1995	5	6	2
1996	0	2	2
1997	2	8	4
1998	12	6	1
1999	5	6	3
2000	20	17	8
2001	3	8	2
2002	0	0	3
2003	0	0	1
Total	47	56	29

Table 1 - Delinquent Recommendations

Below is an aging of the 29 delinquent recommendations issued in years 1994 to 2003:

Agency to Act	Year Report Was Issued										Total
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
1. Department of Finance		1	1	4	1	2	2	1			12
2. Department of Public Safety	3							1			4
3. Marianas Public Lands Authority		1					3				4
4. Tinian Casino Gaming Control Commission									2		2
5. Attorney General's Office			1							1	2
5. Commonwealth Development Authority									1		1
6. Department of Lands and Natural Resources							1				1
7. Department of Public Health						1					1
8. Office of the Governor							1				1
9. Northern Mariana Islands Retirement Fund							1				1
Number of Delinquent Recommendations	3	2	2	4	1	3	8	2	3	1	29

AGO action needed for recovery of at least \$1,085,954

As of June 30, 2003, recommendations in 12 audit reports were referred to the Attorney General's Office (AGO) for legal action to recover monies improperly expended. According to OPA's audit reports described in the following table, approximately \$1,085,954 is potentially recoverable. OPA requested on August 4, 2003 an update of its referrals to the AGO. Based on the AGO's response dated September 15, 2003, OPA was able to close one referral recommendation for Report No. AR-99-04 in which \$45,000 was considered recoverable. OPA was informed that the subject of the investigation for contract no. C70220 has passed away and it appears that there are no assets in his estate. In a memorandum dated October 22, 2003, the Assistant Attorney General assigned to this case referral case informed OPA that AGO has decided not to pursue any further action against the contractor. OPA was provided a copy of the memorandum from the Assistant Attorney General to the Acting Attorney General recommending this action which was subsequently approved. Based on the AGO's research, the AGO believes that it was extremely difficult (if not impossible) to collect any money from the contractor as there are no assets from which to collect a judgement or even to prove the allegations. On November 10, 2003, OPA re-directed a recommendation previously addressed to the Commonwealth Utilities Corporation to the AGO for Report No. LT-01-07. In OPA's referral letter, the AGO was requested to determine whether recovery of travel overpayments and a questionable payment totaling \$2,930 to current and former board members should be pursued and what actions the AGO will be taking. Thus, the amount recoverable based on information provided by the AGO and an additional referral directed to the AGO, was reduced from \$1,128,024 (from our previous audit tracking report) to \$1,085,954.

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per AGO
1	AR-99-03 (4-7-99)	TCGCC - Legal action to recover overpayment of \$543,375 from the consultant on grounds of unjust enrichment, conversion, fraud and breach of fiduciary duty and recovery of \$195,971 from three other individuals for breach of fiduciary trust for total amount recoverable of \$739,346.	\$739,346	On December 31, 2001, civil action was filed against the consultant and three other individuals for unjust enrichment, conversion, fraud and breach of fiduciary duty.
2	AR-00-01 (4-13-00)	DPW - Recovery of \$164,534 in improper payments made to a surveying contractor and adverse action against contractor for misrepresentation relating to the Tinian road resurfacing project in 1997. Pursuant to a decision issued by the United States District Court, amount recoverable from the contractor is reduced to \$100,000 in restitution.	100,000	On April 2, 2002, the United States District Court's sentence imposed on the contractor was 8 months imprisonment and restitution of \$100,000.
3	AR-97-05 (3-20-97)	CNMI - Promissory note for \$96,100 on overpayment of two professional services contracts (Contract nos. C40113 and C50108) covering the period October 1, 1991 to July 20, 1995.	96,100	Partial recovery of \$4,200 leaving a balance of \$91,900 still to be recovered.
4	AR-98-06 (12-14-98)	DOF - Funds misused by the former Secretary of Finance during fiscal years 1995 to 1997.	75,000	AGO to file Motion for Summary Judgement in the civil action filed against the former Secretary of Finance.
5	AR-97-11 (8-12-97)	GOV - Office of the Special Assistant for Drug and Substance Abuse - Excess payment to a contractor for professional services rendered from March 27, 1996 to February 28, 1997.	21,365	AGO is presently researching whether this matter is barred from the Statute of Limitations and whether or not this case has been resolved.
6	LT-98-07 (8-5-98)	DOF - Overpayment of salaries to a former Technical Financial Analyst for tardiness, absences and excess overtime for the period September 28, 1997 to March 28, 1998. The amount to be recovered was reduced from \$6,302 to \$4,900 as a result of garnished bonus payment of \$1,402.	4,900	An agreement was entered into with the Former Technical Financial Analyst in which a promissory note was signed to pay back the overpayment of salaries.

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per AGO
7	AR-97-06 (4-23-97)	DPH - Rota Health Center (RHC) - Recovery from the former RHC Director of amount taken from RHC funds and reimbursement for cost of a washing machine for the period December 1993 to March 1996.	4,982	AGO stated that the CNMI's claim in this matter is potentially in the public interest, thereby removing the statute of limitations as a defense in this case insofar as civil liability is concerned. AGO will further evaluate whether a viable suit exists.
8	AR-97-07 (6-3-97)	DPH - Developmental Disabilities Council (DDC) - Recovery from the former DDC Executive Director of the unpaid balance of charges in personal calls, advances and retroactive salary increase as of July 1996. Amount recoverable was reduced from \$1,964 to \$1,200 due to the running of the Statute of Limitations for the retroactive salary increase and personal calls.	1,200	According to the AGO, the Statute of Limitations for the travel advances had also expired, however, the statute could possibly be extended depending on when the last payroll deduction for the travel advances occurred.
9	AR-96-05 (3-21-96)	MPLA - Recovery of rentals due from a restaurant and recovery from a lessor of all payments collected from a sublessee for the subleasing of the Saipan Fishing Center building as of October 31, 1995.	Unknown.	AGO stated that a settlement agreement was reached in September 1997.
10	AR-95-18 (10-10-95)	MPLA - Double payment of travel expenses and overpaid per diem allowances to the former Executive Director and former Comptroller for the period September 1992 to September 1994.	Unknown.	AGO to provide documents on conveyance of property for debt settlement of former Executive Director and copy of judgement on lawsuit filed against former Comptroller.
11	AR-95-17 (10/2/95)	CPA - Legal action to recover the remaining balance of \$40,131 for improper reimbursement from the board members.	40,131	AGO to issue a determination on whether the recommendation should be pursued in court.
12	LT-01-07 (11/23/01)	CUC - Recover travel overpayments and questionable payment from current and former Board Members.	2,930	AGO to determine whether recovery of overpayments and questionable payment will be pursued.
Total Amount Recoverable			\$1,085,954	

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

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

Potential recovery of \$5.7 million hinges on agencies' actions

Recommendations in fifteen audit reports identified potential recoveries due to unpaid rentals of land leases, overpayments in professional services contracts, outstanding advances, and improper expenditures of public funds. Recovery efforts by various agencies are ongoing to collect approximately \$6,277,622.

As of June 30, 2003, initial actions by agencies resulted in partial recovery of \$193,144, one claim of \$2,973 re-directed to AGO, one claim totaling \$10,000 fully recovered, and one claim totaling \$369,866 withheld from PSS FY2002 mandated budget to recover Trust Funds unlawfully used in Report No. AR-99-05 leaving a balance of \$5,701,639 recoverable as shown in the following table.

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per Agency
1	AR-00-04 (11-22-00)	Board of Marianas Public Lands Authority - Collection of rentals from 8 quarry operators for six lease years from 1990 to 1995 totaling \$4,690,708, less \$946,968 write-off for one bankrupt quarry operator resulting in an amount recoverable of \$3,743,740.	\$3,743,740	\$108,628 was recovered from seven quarry operators.
2	AR-99-04 (10-28-99)	CNMI - Overpayments of \$87,096 on ten professional services contracts immediately recoverable of which \$11,000 was redirected to AGO (C70180 & C70149) and \$6,000 is not to be pursued (C60334), resulting in net amount recoverable of \$70,096; Various unsupported expenses for \$1,400,956 recoverable unless adequately supported by the contractors; total net amount recoverable of \$1,471,052.	1,471,052	Of the \$70,096 in net amount recoverable, partial recovery was \$61,794 (for C50305, C60114 and C60142), leaving a balance of \$8,302 (Contract Nos. C60196, C70156, C50388 and C60355)

	Report No. (Issue Date)	Particulars	Amount Recoverable	Status per Agency
3	AR-02-02 (9/11/02)	TCGCC - Audit of Travel Transactions for fiscal years 1996 - 2001. The potential recovery amount for outstanding advances of \$406,925 was reduced by \$14,672 leaving a balance of \$392,253 to be recovered.	392,253	Partial recovery of \$75.
4	AR-00-05 (12-14-00)	PSS - Recover Trust Fund money used for the operation of the MHS Food Court covering school year 1998-1999.	369,866	PSS withheld \$400,000 of its FY2002 constitutionally mandated budget in order to recover Trust Fund money unlawfully used.
5	AR-00-03 (7-20-00)	CPA - NMIRF to recover improper payments to two former CPA officials for retirement benefits and compensatory time claimed.	126,730	The former Executive Director had appealed the Board's final decision to the Superior Court and the case is still on-going; written settlement plan required for the former CPA Security Chief.
6	AR-98-06 (12-14-98)	DOF - Funds misused by the former Secretary of Finance from fiscal years 1995 to 1997.	56,462	\$56,462 is the total restitution ordered by the Federal Court.
7	AR-95-18 (10-10-95)	MPLA - Double payment of travel expenses and overpaid per diem allowances to the former Board Chairman, Tinian board member and Rota board member for the period September 1992 to September 1994.	52,977	Partial recovery of \$17,800.
8	AR-97-05 (3-20-97)	CNMI - Overpayment to contractors of three professional services contracts (Contract nos. C40276, C50083, C50132 & C50208) audited covering the period October 1, 1991 to July 20, 1995.	25,079	\$10,000 was fully recovered by OMB for C40276. Status pending from agency for C50083, C50132 & C50208.
9	AR-99-01 (1-5-99)	PSS - Pursue accountability for funds for the William S. Reyes School and 50 th Golden Jubilee Funds within the inclusive period from October 1994 to October 1996.	12,123	PSS stated that the Status of Limitations has expired for recovery of funds. PSS was requested to submit written statement or opinion why collection or possible legal action can no longer be pursued.
10	AR-00-02 (7-10-00)	CDA - Recover accrued interest on public funds advanced for parking lot improvements from January 1998 to August 1999 The amount to be recovered was recalculated based on the 9% opportunity cost of CDA's DCD loans versus the 12% calculated by OPA based on the market rate, as petitioned by CDA. OPA considered CDA's petition reasonable. Thus, the amount to be recovered was reduced from \$9,278 to \$6,503.	6,503	Partial recovery of \$2,056.
11	AR-97-06 (4-23-97)	DPH - Deny claims for repairs and non-existent lease for the period December 1993 to March 1996.	9,000	Status pending from agency.
12	LT-01-07 (11/23/01)	CUC - Audit of Travel of the Board of Directors, Key Management, and Other CNMI Government Officials for the period October 1999 through March 2001. The	4,384	Partial recovery of \$1,411 (Balance to be recovered is now re-directed to the AGO)

Report No. (Issue Date)	Particulars	Amount Recoverable	Status per Agency
	total amount potentially recoverable was \$4,430.		for further review and action - \$2,973)
	Finding pertaining to TA no. 00-404 (\$46) was closed due to immateriality. Total amount recoverable is now reduced from \$4,430 to \$4,384.		
13	AR-99-02 (3-29-99) WRO - Outstanding employee loans for Fiscal Years 1995 and 1996.	3,580	Partial recovery of \$1,380.
14	LT-01-05 (8/15/01) NMIRF - Audit of Billings for a Professional Services Contract During the Period October 1, 1996 Through February 29, 2000	2,268	NMIRF Administrator will be bringing this matter to the Board of Trustees for resolution.
15	AR-03-04 (3/10/03) AGIU - Recovery of overpayments of per diem from three travelers involved.	1,605	Status pending from agency.
	Total Amount Recoverable	\$6,277,622	
	Less: Partial Recoveries	(\$193,144)	
	Less: Re-directed to AGO (LT-01-07)	(\$2,973)	
	Less: Recovery of overpayment for C40276 by OMB (AR-97-05)	(\$10,000)	
	Less: Funds withheld from PSS FY02 budget (AR-00-05)	(\$369,866)	
	Balance of Amount Recoverable as of 6/30/03	\$5,701,639	



Office of the Governor

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

Date(s) of followup letter(s) sent : 2/02/98, 9/17/98, 11/23/99, 7/13/00 (DOF), 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO)

Date(s) of response letter(s) received : 8/20/98 (AGO), 11/17/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01 (AGO), 2/12/02 (meeting with AGO), 9/15/03 (AGO)

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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In a follow-up letter to AGO dated 2/14/02, OPA compiled a list of its referrals for AGO to prioritize for action. The list included this recommendation.

In his response dated 9/15/03, the Acting Attorney General stated that the Assistant Attorney General assigned to this case referral is presently researching whether this matter is barred by the statute of limitations and whether or not this case has been resolved.

Further Action Needed

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

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

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

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

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>stated that this illegal action and OPA's report clearly identified a defect in the Act, and agreed to support legislative action to amend the law. OPA agreed with the Attorney General's position that legislation should be introduced to amend the Act. OPA therefore added Recommendation No. 6 for the Legislature to act upon.</p> <p>In a meeting with the Speaker of the House on 3/13/03, OPA was informed that the Legislature intends to introduce legislation to amend 1CMC §7402 (a) (2) to comply with OPA's recommendation.</p> <p>Further Action Needed</p> <p>The CNMI Legislature should provide OPA a copy of the amended Planning and Budgeting Act after a provision is added to 1 CMC § 7402(a)(2) making any CNMI Government employee who illegally reprograms government funds or receives illegally reprogrammed funds personally liable for the amount of the reprogramming action.</p>

3. Report No. AR-03-04 issued March 10, 2003
Office of the Attorney General
Audit of the Attorney General's Investigative Unit Confidential
Informant/Cash Funds From October 1, 1994 to April 30, 2002

Date(s) of followup letter(s) sent : 8/4/03 (AGO)

Date(s) of response letter(s) received : 5/12/03, 9/15/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. Establish clear written policies and guidelines on types of disbursements that may be paid from each fund.	AGIU	Closed	In her response dated 5/12/03, the former Attorney General informed OPA that AGO Managers met and decided the types of disbursements that should be paid from each account. OPA was provided with a copy of the written policy that provides that subsistence shopping will be done by the assigned AGIU investigator, accompanied by the witness in some cases, and with specific instructions as to what may be purchased with the funds. Based on the copy of the written policy provided, this recommendation is now considered closed.
3. Recovering the residual value of three unused return airline tickets totaling \$723 and the overpayment of per diem of \$1,605 from the three travelers involved.	AGIU	Resolved Delinquent	<p>The Attorney General stated that the unused return tickets from Korea were used in an upgrade of seats to business class. Furthermore, she said that the related file for the case of the travel to Korea cannot be located. Subsequently, after issuance of draft report, an AGIU investigator located the disbursement file.</p> <p>OPA's review revealed that a reimbursement of \$832 was made to an investigator for the return business class tickets of the investigators who went to Korea, hence, the \$723 residual value of the tickets initially issued remain unaccounted for. Furthermore, based on the disbursement file found, the related amount of overpayment was updated to \$1,605. This overpayment should be recovered from the three travelers.</p> <p>In her response dated 5/12/03, the former Attorney General informed OPA that a \$723 credit voucher had been issued by the involved travel agency to be depleted by offsetting with future airline tickets for investigation related to the local law</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>enforcement funds purpose with no restrictions. Furthermore, the Attorney General outlined two steps to resolve the travelers' overpayment of per diem - (1) the current AGIU investigator will re-pay the fund in cash, and (2) the two other travelers, now both civilians and not attached to AGIU, will be contacted by an Assistant Attorney General for repayment through legal process.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that this case was cleared by OPA. Upon further review, OPA determined that this case has not yet been cleared since OPA was not provided copies of documents evidencing re-payment made into the fund by the current AGIU investigator for the overpayment of per diem and the results of their collection effort for the other two travelers with overpayments of per diem who are no longer employed with the AGIU.</p> <p>Further Action Required</p> <p>AGO should provide OPA copies of documents evidencing re-payment made into the fund by the current AGIU investigator for the overpayment of per diem and the results of their collection effort for the other two travelers with overpayments of per diem who are no longer employed with the AGIU. AGO should provide OPA copies of documents evidencing payments made by the other two travelers until full collection is achieved.</p>

Department of Finance

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

Date(s) of followup letter(s) sent : 9/17/98, 11/23/99, 7/13/00, 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO), 11/7/03 (AGO)

Date(s) of response letter(s) received : 10/22/98, 12/18/98, 2/10/99, 9/27/00, 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01(AGO), 2/12/02 (meeting with AGO), 5/13/03 (meeting with AGO), 9/15/03 (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 9/27/00, DOF provided OPA a copy of the letter of the CSC to the Technical Financial Analyst which stated that CSC considered the case closed because the Technical Financial Analyst failed to respond.</p> <p>We verified with DOF whether the closure of the case by CSC would mean that DOF can now proceed with recovery of the overpayment. DOF informed OPA that they were advised by their Legal Counsel that collection of the overpayment can be done only through legal proceedings.</p> <p>During the 11/21/00 meeting with the Coordinating Group, DOF agreed to refer</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>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 General stated that AGO will send out a demand letter requesting the employee to pay back the salary for which no work was performed.</p> <p>During the 2/12/02 meeting, AGO informed OPA that the amount to be recovered from the employee for which no work was performed was reduced to approximately \$4,900 by garnished bonus payment. OPA asked AGO to provide documentation on the payment. In a follow-up letter to AGO dated 2/14/02, OPA compiled a list of its referrals for AGO to prioritize for action. The list included this recommendation.</p> <p>In a meeting with AGO on 5/13/03, OPA was informed that an agreement was entered into with the former Technical Financial Analyst in which he signed a promissory note to pay back for the salary overpayments. AGO stated that they will be providing OPA with a copy of the promissory note.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a promissory note was executed in this case on 4/25/03 and that the Assistant Attorney General assigned to this case will forward a copy of the note to OPA upon written request. On 11/7/03, OPA issued a written request to the AGO requesting for a copy of the promissory note. Based on a copy of the promissory note provided by the AGO on 11/12/03, the former Technical Financial Analyst promised to pay to the CNMI the sum of \$6,585.59 payable in twelve equal installments of \$546.80 every month beginning 6/1/03.</p> <p>Further Action Needed</p> <p>The AGO should monitor and provide OPA with the status of collections until fully recovered.</p>

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

Date(s) of followup letter(s) sent : 11/23/99 (DOF), 1/26/99, 1/5/00 (AGO), 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (DOF) (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 2/18/03 (DOF), 8/4/03 (DOF) (AGO)

Date(s) of response letter(s) received : 1/20/00 (AGO), 3/9/01 (AGO), 2/12/02 (meeting with AGO), 3/17/03 (DOF request for extension), 9/15/03 (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>	<p>DOF and AGO</p>	<p>Resolved Active</p>	<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>During the 2/12/02 meeting, AGO informed OPA that it will file a Motion for Summary Judgment in the civil action filed against the former Secretary of Finance. In a follow-up letter to AGO dated 2/14/02, OPA compiled a list of its referrals for AGO to prioritize for action. The list included this recommendation.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that this case has been forwarded to the AGO's collection team (an in house team assembled to collect debts owed the government that are over the statutory limit for small claims) and the matter is still pending.</p>

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

DOF should provide OPA proof of collection of the \$56,461.98 restitution in the federal case. In addition, AGO should also provide OPA with the results of their collection efforts and 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, 3/12/02, 8/12/02, 2/18/03, 8/4/03

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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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 Delinquent	The former Secretary of Finance addressed Recommendations 1 and 2 by stating that a new tax system is currently being developed to give DOF the capability to automate processing of the corporate rebate tax returns. Because the annual returns will be entered and processed through the tax system, the rebate computations and preparation of rebate checks will be part of the automated process. Since the payment data are stored, the system will automatically flag a warning if a rebate check has already been issued to a particular corporation for a specific tax year. This process will ensure the detection of duplicate processing of a return and potential double payment of a tax rebate. The new tax system is expected to be completed by the summer of year 2000. DOF anticipates processing the 1999 tax returns using the new system.
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Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. Develop and implement control procedures in its financial management system which will recognize and flag potential duplicate processing of corporate tax rebate payments.</p>	DOF	Resolved Delinquent	<p>In his 4/12/02 response, the current Secretary of Finance stated that DOF will submit documentation of internal control procedures for the processing of corporate rebate taxes. He also stated that there are features in the new tax system that will prevent duplicate payments of taxpayer rebates or refunds.</p>
			<p>Further Actions Needed</p> <p>Recommendations 1 and 2 - Provide OPA copies of the control procedures established to avoid double payments as agreed during the meeting. Specifications for internal control of the new tax system (once the development phase is completed) should include features that will prevent or easily allow the detection of double payments. The new tax system should be able to handle the processing of the following cases and the control procedures available: (1) an amendment to the original corporate tax return that was successfully processed in the system and a check processed and issued; (2) a request for manual rebate check because the corporate tax return is pending in the system (due to data entry error, reporting error, incomplete information or support on tax return, etc.); and (3) a replacement check because the original check issued was missing.</p>

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

Date(s) of followup letter(s) sent : 3/12/02, 8/12/02, 2/18/03, 8/4/03

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

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

Department of Lands and Natural Resources

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

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

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

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

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

Date(s) of followup letter(s) sent : 3/4/02, 8/9/02, 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO), 10/27/03 (AGO)

Date(s) of response letter(s) received : 9/6/02, 9/15/03 (AGO), 10/31/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original</i> - The Secretary of DLNR and the submerged land lessee should amend or completely change the lease agreement so that there will be a clearer understanding of each party's obligations and responsibilities, taking into account:</p>	<p>DLNR Redirected to AGO</p>	<p>Open Active</p>	<p>In his 1/22/01 response, the DLNR Secretary concurred with OPA's recommendation (1) to amend or substantially revise the lease agreement or, alternatively, (2) to have either the CNMI Government or another entity take over operation of Outer Cove Marina, but stated that DLNR could not pursue either alternative until the Senate Oversight Committee has submitted its report and the currently proposed legislation (House Bill 12-250) is enacted.</p>
<p>1. The components that will comprise the actual Outer Cove Marina project cost.</p>			<p>In his response dated 9/6/02, the DLNR Secretary informed OPA that the Outer Cove Marina issues are now being handled by the Attorney General's Office.</p>
<p>The Outer Cove Marina properties/facilities will be turned over to DLNR and to the National Park Service at the completion of the lease period. It is therefore necessary for the submerged land lessee to provide a detailed cost breakdown of all the properties/facilities comprising the Outer Cove Marina project. The detailed breakdown of project costs will also be very useful in establishing the level of fees and making relevant decisions for settling the Outer Cove Marina controversies.</p>			<p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. OPA subsequently provided AGO with a copy of the audit report on this case referral on 10/27/03. On 10/31/03, the Acting Attorney General requested OPA the file on this referral case for further evaluation. Based on the 10/31/03 response, OPA will forward to the AGO the file on this referral case.</p>
<p>In establishing the cost of each completed facility, the submerged land lessee must also show the reasonable allocation of development costs (<i>e.g.</i> architectural and engineering costs, permits, interest and other costs during construction that can be capitalized in accordance with</p>			<p>Further Action Needed</p> <p>AGO should provide OPA with the status of the ongoing negotiation between the CNMI government and the submerged land lessee.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
accounting principles and auditing standards, etc.).			
2. The allocation of the Outer Cove Marina project cost between the area covered by the lease agreement and the area covered by the concession contract.			
How the Outer Cove Marina project properties/facilities will be disposed of depends upon (1) when the lease agreement or the concession contract ends, or (2) if the agreement or contract is terminated at an earlier period. It is therefore necessary that the submerged land lessee also segregate the costs of the Outer Cove Marina project properties/facilities based on the governing agreement/contract.			
3. The provisions in the lease agreement that may no longer be practical to implement.			
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.			
<i>An alternative course of action that DLNR and the CNMI Government can take is:</i>			
DLNR and the CNMI Government could pay the submerged land lessee			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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>			
<p><i>As Redirected to AGO</i> - AGO should provide OPA with the status of the on-going negotiation between the CNMI government and the submerged land lessee.</p>			

Department of Public Health

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

Date(s) of followup letter(s) sent : 6/23/97, 7/16/97, 2/02/98, 9/17/98 (DOF), 9/21/98 (RMO), 11/23/99 (DOF), 11/29/99 (RMO), 7/6/00 (RMO), 7/13/00 (DOF), 1/17/01 (AGO), 1/19/01 (DOF), 8/21/01 (AGO) (DOF), 2/14/02 (AGO), 3/12/02 (DOF), 8/12/02 (DOF) (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 2/18/03 (DOF), 8/4/03 (DOF) (AGO), 10/27/03 (AGO)

Date(s) of response letter(s) received : 6/16/97 (RMO), 2/24/98 (RMO), 7/19/00 (RMO), 11/17/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01 (AGO), 9/18/01 (DOF), 2/12/02 (meeting with AGO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 3/17/03 (DOF request for extension), 9/15/03 (AGO), 10/31/03 (AGO)

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>During a meeting on 2/12/02, AGO informed OPA that the Statute of Limitations has passed regarding this recommendation. In a follow-up letter dated 2/14/02, OPA requested AGO to provide a letter documenting the applicability of the to formally close this recommendation.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. On 10/27/03, OPA provided AGO with a copy of the audit report on this case referral and requested the Acting Attorney General to</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. The Secretary of Finance should deny the \$5,000 claim for repairs, and the \$4,000 amount claimed for a non-existent lease extension.</p>	DOF	Resolved Delinquent	<p>review the matter on this case and determine (1) whether the statute of limitations bars an action, and (2) if it is a matter that the AGO will pursue. On 10/31/03, the Acting Attorney General informed OPA that the CNMI's claim in this matter is potentially in the public interest, thereby removing the statute of limitations as a defense in this case insofar as civil liability is concerned. He further stated that AGO will further evaluate whether a viable suit exists. Based on the 10/31/03 response, OPA will forward to the AGO the file on this referral case for further evaluation.</p> <p>Further Action Needed</p> <p>AGO should inform OPA of the results of their evaluation and whether AGO will pursue civil action on this matter.</p>
			<p>The former Secretary of Finance provided OPA a copy of its 9/18/01 letter to the Acting Resident Director of DOF-Rota requesting assistance in verifying whether or not the \$5,000 claim for repairs and the \$4,000 claim for a non-existent lease extension were paid through the Rota Imprest Fund Account.</p> <p>In his 4/12/02 response, the current Secretary of Finance informed OPA that his office has not received a response to its 9/18/01 letter to the Acting Resident Director of DOF-Rota. However, DOF has sent a follow-up letter to the Mayor requesting assistance on the matter.</p> <p>Further Action Needed</p> <p>DOF should inform OPA as to the results of the verification requested from DOF-Rota. If the claims were in fact paid through the Rota Imprest Fund Account, DOF should take steps to reject the claims and recover the money by directing the Acting Resident Director to take the appropriate action.</p>

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>During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary provided OPA a bill of collection dated 11/17/00 for \$4,982.02 sent to the current Director of RHC which consists of \$4,282.02 taken from RHC funds and \$700 reimbursement for the cost of the washing machine. On 11/27/00, DOF referred the matter to the AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney General requested a copy of the report for further review purposes.</p> <p>During a meeting on 2/12/02, AGO informed OPA that the Statute of Limitations has passed on this recommendation. In a follow-up letter dated 2/14/02, OPA requested AGO to provide a letter documenting the applicability of the to formally close this recommendation.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. On 10/27/03, OPA provided AGO with a copy of the audit report on this case referral and requested the Acting Attorney General to review the matter on this case and determine (1) whether the statute of limitations bars an action, and (2) if it is a matter that the AGO will pursue. On 10/31/03, the Acting Attorney General informed OPA that the CNMI's claim in this matter is potentially in the public interest, thereby removing the statute of limitations as a defense in this case insofar as civil liability is concerned. He further stated that AGO will further evaluate whether a viable suit exists. Based on the 10/31/03 response, OPA will forward to the AGO the file on this referral case for further evaluation.</p> <p>Further Action Needed</p> <p>AGO should inform OPA of the results of their evaluation and whether AGO will pursue civil action on this matter.</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), 2/14/02 (AGO), 3/12/02 (DOF), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO)

Date(s) of response letter(s) received : 1/13/98, 2/24/98 (DPH), 9/9/98 (DOF), 9/14/98 (DDC), 12/16/99 (DDC), 11/14/00 (meeting with Coordinating Group on DPH), 11/17/00 (DOF), 11/21/00 (meeting with Coordinating Group on DOF), 11/27/00 (DOF), 3/9/01 (AGO), 2/12/02 (meeting with AGO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 5/22/03 (AGO), 9/15/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. <i>As Revised and Redirected to DOF:</i> The Secretary of Finance should deduct any unpaid balance of the \$1,088 charges for personal calls and \$1,086 advance from the final payroll check or any other funds due to the former Executive Director. Also, the Secretary of Finance should instruct the Travel Section to strictly comply with DOF Manual of Procedures and Policies relating to travel and transportation, particularly as to enforcing immediate return of travel advances if travel is canceled.</p> <p><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>DOF - Redirected to AGO</p>	<p>Resolved Active</p>	<p>Both the charges for personal calls and the advances have unpaid balances of \$600 each for a total of \$1,200 to be collected from the former Executive Director.</p> <p>During the 11/21/00 meeting with the Coordinating Group, the DOF Secretary provided OPA a bill collection dated 11/17/00 for \$1,964.40 sent to the former Executive Director which consists of \$1,200 in unpaid balance of charges for personal calls and advances and \$764.40 in retroactive salary increase. On 11/27/00, DOF referred the matter to the AGO to possibly pursue collection through legal proceedings. In his 3/9/01 response, the Acting Attorney General stated that AGO will prepare and send out a demand letter for the amount in the audit. If no response is received, a civil action will be filed.</p> <p>During a meeting on 2/12/02, AGO informed OPA that although demand letters were sent out in early 2000, the Statute of Limitations has passed on most items included in this report. In a follow-up letter dated 2/14/02, OPA requested AGO to provide a letter to document the applicability of the to this recommendation.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>In his response dated 5/22/03, the Deputy Attorney General stated that the Statute of Limitations had expired on this referral recommendation in 2002. However, he stated the Statute could possibly be extended depending on when the last payroll deduction for the travel advances occurred. Based on the information provided by the AGO, OPA will conduct further analysis on this recommendation.</p> <p>Upon further research, OPA was unable to determine when the last payroll deduction occurred as the information to be obtained is no longer in the new DOF JD Edwards System.</p> <p>Further Action Needed</p> <p>The AGO should determine whether recovery for the unpaid balance of advances should still be pursued given that OPA was not able to determine when the last payroll deduction occurred in order to possibly extend the Statute of Limitations. If the AGO determines that recovery should not be pursued as a result of unavailable information or the Statute of Limitations, then the AGO should provide OPA a letter setting forth its determination on this matter.</p>

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

Date(s) of followup letter(s) sent : 11/23/99 (DPH), 11/26/99 (OPM), 2/28/00 (OPM), 7/6/00 (DPH) (OPM), 1/30/01, 8/22/01, 3/8/02 (DPH), 8/9/02 (DPH), 2/12/03 (DPH), 8/4/03 (DPH)

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

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

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

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

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

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

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

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

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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2. The DPS Commissioner should enforce compliance with the 48-hour limit for liquidation of cash advances by reporting violations to DPS management.	DPS	Open Delinquent	In his response dated 8/28/02, the DPS Commissioner stated that they are still working on implementing recommendation nos. 2, 3 and 4 and will inform OPA once they satisfy all the necessary requirements.
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Department of Public Works

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

Date(s) of followup letter(s) sent : 7/3/00 (DPW), 7/12/00 (AGO), 7/13/00 (DOF), 1/17/01 (AGO), 8/21/01 (AGO), 2/14/02 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO)

Date(s) of response letter(s) received : 5/10/00 (DPW), 11/7/00 (meeting with Coordinating Group on AGO), 12/7/00 (meeting with Coordinating Group on DOF), 3/9/01 (AGO), 2/12/02 (meeting with AGO), 9/15/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. <i>Original:</i> DOF should take adverse action against the contractor for misrepresenting to the government that it had performed all the work required under its contract, and for receiving payment for work which it failed to do, including the debarment of the contractor from participating in future government solicitations.</p> <p><i>As Redirected to AGO:</i> AGO should take adverse action against the contractor for misrepresenting to the government that it had performed all the work required under its contract, and for receiving payment for work which it failed to do, including the debarment of the contractor from participating in future government solicitations.</p>	<p>DOF - Redirected to AGO</p>	<p>Resolved 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>In the 2/12/02 meeting with AGO, OPA included this recommendation in the list of its requests for legal opinion from AGO. In a follow-up letter dated 2/14/02, OPA reiterated its request for AGO to provide a legal opinion on whether debarment of the contractor from future government contracting is the appropriate action in this matter.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that this case was assigned to an Assistant Attorney General on 5/21/03 and is pending further legal analysis.</p>

Further Action Needed

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>5. <i>Original:</i> DOF should continue to take necessary steps to recover the \$164,534 improper payments made to the contractor, unless restitution to the CNMI Government is made in the Federal Court mail fraud case. Recovery efforts should be coordinated with the Attorney General's Office. In implementing this recommendation, recovery of the whole contract price of \$229,438 on the basis that the contract was invalid may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to the contractor.</p>	<p>DOF - Redirected to AGO</p>	<p>Resolved Active</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><i>As Redirected to AGO:</i> AGO should continue to take necessary steps to recover the \$164,534 improper payments made to the contractor, unless restitution to the CNMI Government is made in the Federal Court mail fraud case. Recovery efforts should be coordinated with the Attorney General's Office. In implementing this recommendation, recovery of the whole contract price of \$229,438 on the basis that the contract was invalid may be undertaken in lieu of the approach taken above where recovery would be based on the overpayments made to the contractor.</p>			<p>The DOF Secretary requested AGO's assistance in getting information on the Federal Court case involving the contract. The DOF Secretary stated that her office will proceed with the recommendation after the Federal Court's decision.</p>
			<p>During the 12/7/00 meeting with the Coordinating Group, it was agreed that this recommendation should be redirected to the AGO. In its 3/9/01 response, the Acting Attorney General stated that no further action will be taken on this matter. Contact has been made with the United States Probation Department requesting that restitution from the contractor be ordered at sentencing.</p>
			<p>During the 2/12/02 meeting, AGO informed OPA that it had already requested the United States Probation Department to recommend that restitution be required from the contractor and that it is awaiting sentencing decision.</p>
			<p>On 4/2/02, the United States (US) District Court's sentence imposed on the contractor was 8 months imprisonment and restitution of \$100,000.</p>
			<p>In his response date 9/15/03, the Acting Attorney General stated that this case was assigned to an Assistant Attorney General on 5/21/03 and is pending further legal analysis.</p>
<p><i>As Revised:</i> AGO should provide OPA documents showing recovery of the \$100,000 in restitution imposed by the United States District Court's sentence imposed on the contractor.</p>			<p>Further Action Needed</p>
			<p>AGO should inform OPA if full restitution has been made by the contractor.</p>

Department of Labor and Immigration

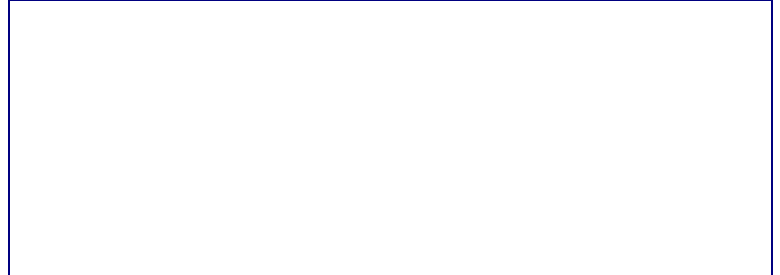
**I. Report No. AR-02-04 issued on November 5, 2002
 Audit of the Department of Labor and Immigration
 Tinian Long Distance Telephone Charges
 January 1998 through June 2000**

Date(s) of followup letter(s) sent : 2/18/03 (DOLI), 8/4/03 (AGO), 10/27/03 (AGO)

Date(s) of response letter(s) received : 9/15/03 (AGO), 10/31/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. Request the telephone company to reduce the number of agency telephone lines with long-distance access and limit long-distance access only to certain employees.</p>	<p>DOLI-Tinian (currently under AGO)</p>	<p>Resolved Active</p>	<p>The Resident Director of DOLI Tinian appears to disagree with the recommendation. She stated that DOLI Tinian has four divisions which contains an average of two to three sections. She explained that the current ten telephone lines often results in hampered public services due to busy telephone signals. Hence, she maintained that her department will continue with the set up of ten telephone lines.</p> <p>In a conference call between the DOLI Tinian Resident Director's Secretary and OPA on 2/18/03, the Secretary stated that there are only four DOLI personnel who have access to a pin number used to make long-distance calls. Also, the only telephone line with direct access to long-distance is in the Resident Director's office.</p> <p><i>Note:</i> This recommendation was previously addressed to the Department of Labor and Immigration - Tinian. As a result of the transfer of the Division of Labor to the AGO, this recommendation will now be addressed to the AGO. A follow-up letter was sent to the AGO on 8/4/03 requesting for action to address this recommendation.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. OPA</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>subsequently provided AGO with a copy of the audit report on this case referral on 10/27/03. On 10/31/03, the Acting Attorney General requested OPA the file on this referral case for further evaluation. Based on the 10/31/03 response, OPA will forward to the AGO the file on this referral case.</p> <p>Further Action Needed</p> <p>The AGO should provide written documentation evidencing that authorization of the long-distance pin number is limited to the four DOLI Tinian personnel.</p>



Municipality of Rota

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

Date(s) of followup letter(s) sent : 11/23/99 (Legislature), 1/26/99, 1/5/00 (AGO), 7/6/00 (Legislature), 1/23/01 (Legislature), 8/22/01 (Legislature), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO), 10/27/03 (AGO)

Date(s) of response letter(s) received : 3/25/99 (RMO), 6/14/99 (OPM), 2/12/02 (meeting with AGO), 9/15/03 (AGO), 10/31/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. <i>Original:</i> The CNMI Legislature should enact legislation to clarify the issues relating to "Full Time Employment vacancies" and "transfers." More specifically, the Legislature should:</p> <p>a. define a Full Time Employment (FTE) vacancy.</p> <p>OPA questions the applicability of 1 CMC §8135 for use in defining the term "vacancy" because the provision was enacted by an appropriation act which was a temporary law. It would be helpful for the Legislature to define the term "vacancy" and affirm it as a permanent part of CNMI law, thereby giving the definition a firm legal basis.</p> <p>b. clarify legislative intent with respect to the transfer of FTEs from RMO to PSS.</p> <p>Because the Sinapalo Elementary School is still under construction, the Legislature should state whether RMO may retain or must forfeit vacated FTEs, and at the same time provide by law the authorized number of FTEs for</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>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring AGO's legal opinion.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. OPA subsequently provided AGO with a copy of the audit report on this case referral on 10/27/03. On 10/31/03, the Acting Attorney General requested OPA the file on this referral case for further evaluation. Based on the 10/31/03 response, OPA will forward to the AGO the file on this referral case.</p> <p>Further Action Needed</p> <p>AGO should provide OPA its legal opinion on the matter.</p>

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

Municipality of Tinian

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

Date(s) of followup letter(s) sent : 7/16/96, 11/29/96, 12/3/96, 2/02/98, 9/17/98, 11/23/99, 7/13/00, 1/19/01, 8/21/01, 3/12/02, 8/12/02, 2/18/03, 8/4/03

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

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

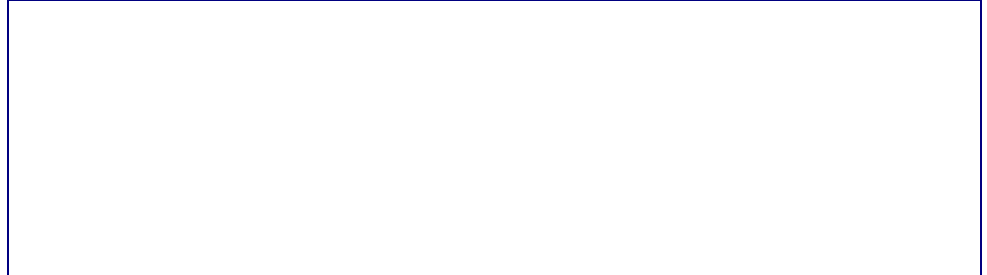
2. Report No. AR-96-01 issued January 31, 1996
Office of the Mayor
Audit of Operations
For Fiscal Years Ended September 30, 1990 to 1993

Date(s) of followup letter(s) sent : 3/28/96, 11/25/96, 2/02/98, 9/17/98, 11/23/99, 7/13/00, 1/19/01, 8/21/01, 3/12/02, 8/12/02, 2/18/03, 8/4/03

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

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

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

Date(s) of followup letter(s) sent : 7/09/97, 2/02/98, 9/17/98 (AGO) (DOF) (GOV), 9/22/98 (OMB), 11/23/99 (DOF) (GOV), 11/26/99 (OMB), 1/26/99 (AGO), 1/5/00 (AGO), 7/11/00 (OMB), 7/12/00 (AGO), 7/13/00 (DOF), 1/17/01 (AGO), 1/19/01 (DOF), 1/23/01 (OMB), 8/21/01 (DOF), 8/22/01 (OMB), 3/8/02 (OMB), 3/12/02 (DOF), 8/9/02 (OMB), 8/12/02 (DOF), 2/12/03 (OMB), 2/18/03 (DOF), 8/4/03 (DOF)

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Contracting Officers should initiate termination of the contracts of contractors which were identified as having been paid without performing their work. Inform the P&S Director who should carry out the required contract termination procedures. (Contracts C50322 and C50297 were already canceled, and therefore Recommendation 2 is not applicable to them).	DOF - Treasury for Contract C40113 C50108 OMB - Contract C40276	Closed	Upon verification with DOF, OPA verified that Contract Nos. C40113, C50108, and C40276 were already cancelled or closed. Therefore, this recommendation is now considered closed.
3. The Contracting Officers should recover payments (including interest) made to contractors whom we identified as having been paid without performing their work, and refer those who refuse to pay to the AGO for legal action.	DOF - Treasury for Contract C40113 C50108	Resolved Delinquent	On 1/14/00, AGO and the Director of Procurement and Supply met with the contractor which resulted in the contractor agreeing to repay the Commonwealth \$96,100. The contractor signed a promissory note with the AGO for monthly payments of \$300 to the CNMI Treasury beginning 2/15/00. During the 2/12/02 meeting, AGO informed OPA that the contractor in this matter remains in compliance with the settlement promissory note and therefore AGO just needs to continue to monitor compliance.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
8. The Secretary of Finance should issue a memorandum instructing the DOF - Accounting Section to recover or offset from future payments the \$15,079 in overpayments to contractors.	DOF	Resolved Delinquent	<p>Upon verification from DOF-Treasury, total payments made on the promissory note amounted to \$4,200, leaving a balance of \$91,900 still to be recovered.</p> <p>Further Action Needed</p> <p><i>For Contract Nos. C40113 and C50108 -</i> 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. No further action is needed from AGO at this time.</p> <p>In his response dated 2/26/03, the Special Assistant for Management and Budget informed OPA that a total of \$9,000 of the \$10,000 overpayment has been collected from the contractor. OPA was provided with a copy of the latest payment receipt dated 11/15/02 for \$1,000. A follow-up letter has been sent by OMB to the contractor on 2/26/03 for the unpaid balance of \$1,000.</p> <p>In his response dated 6/3/03, the Special Assistant for Management & Budget informed OPA that the contractor has completed payments on its outstanding balance to the CNMI government and provided copies of the last two official cash receipts dated 3/10/03 and 6/3/03 totaling 1,000. Based on the documents provided, the part of the recommendation addressed to OMB is now considered closed.</p> <p>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</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>contractors.</p> <p>In his 4/12/02 response, the Secretary of Finance provided OPA a copy of a memorandum requesting the Acting Director of Finance and Accounting to review the records pertaining to the payments in question and to issue a demand for payment immediately.</p> <p>Further Action Needed</p> <p>The Secretary of Finance should provide OPA with the documents evidencing settlement of the \$7,559 (for Contract no. C50083). In addition, DOF should provide OPA documents such as bills of collection to recover the overpayment of \$1,020 (for Contract no. C50132) and \$6,500 (for Contract no. C50208). The bills of collection can be used for referring the matter to the AGO.</p>

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

Date(s) of followup letter(s) sent : 11/23/99 (DOF), 11/26/99 (TMO), 1/5/00 (AGO), 7/12/00 (AGO), 7/13/00 (DOF), 1/17/01 (AGO), 1/19/01 (DOF), 8/21/01 (DOF) (AGO), 2/14/02 (AGO), 3/12/02 (DOF), 8/12/02 (DOF) (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 2/18/03 (DOF), 8/4/03 (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), 2/12/02 (meeting with AGO), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 3/17/03 (DOF request for extension), 9/15/03 (AGO), 10/21/03 (AGO), 10/22/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. <i>As Redirected to AGO</i> - Take steps to recover payments (including interest) made to contractors which we identified as having been paid without performing their work.	AGO for Contracts C70180, C70301, C70149, 305559 and C70220	Closed	<p>Based on the previous audit tracking reports, AGO and OPA agreed to closure of the recommendation to recover payments through legal action for contracts C70180, C70301, C70149, and 305559, mainly due to the need to file legal action in the contractors' jurisdiction.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that the subject of the investigation for C70220 has passed away and it appears that there are no assets in his estate. He further stated that the investigation is still pending by the Attorney General's Investigative Unit.</p> <p>In a memorandum dated 10/22/03, the Assistant Attorney General assigned to this case referral informed OPA that AGO has decided not to pursue any further action against the contractor for C70220 and that AGO will close its file on this matter. OPA was also provided a copy of the memorandum from the Assistant Attorney General to the Acting Attorney General dated 10/21/03 recommending this action which was subsequently approved. Based on the research on this matter, AGO believes that further action should not be taken</p>

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>notices were returned undelivered and one contractor replied asking for a more reasonable request given the amount of information and length of time that has elapsed.</p>
			<p>Further Actions Needed</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>Of the \$87,096.02 in overpayments which is immediately recoverable, \$61,794.07 has already been recovered, \$6,000 need not be collected and \$11,000 has been redirected to the AGO leaving a balance of \$8,301.95 (Contract Nos. C60196, C70156, C50388, and C60355). Of the \$8,301.95, billing statements were sent to collect \$5,366.94 (for C60196, C70156 and C50388) leaving a balance of \$2,935.01 (for C50388 and C60355). Of the \$2,935.01, \$935 (for Contract no. C60355) will be offset against an amount payable to the same contractor. A bill of collection still needs to be sent out for the remaining \$2,000 (for Contract no. C50388).</p>
			<p>To completely close the recommendation pertaining to the remaining contractors, the Secretary of Finance should provide OPA copies of written documents showing actions taken to recover the overpayment (e.g., collection letter and CNMI treasury official receipts showing full recovery).</p>
			<p>The DOF Secretary should also provide OPA the results of the verification done by the DOF - Finance and Accounting Division Director as to the \$1,400,955.91 which is also recoverable unless adequately supported by the contractors.</p>

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

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

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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 officials). Among other things, the written procedures should specify 1) the period when markings should be made (e.g., within a specified time frame after vehicle has been delivered by vendor); 2) the information to be included in the markings, such as the agency name, and if the vehicle is government-owned, the property number as well; 3) the exact size of the markings that will allow them to be visible and readable even when the vehicle is in motion; 4) the exact placement of the markings on the door; and 5) the material to be used for marking.</p> <p>(Note: The marking should show the agency's full name and not just the acronym or the first letters of the agency's name. Use of full name instead of acronym readily identifies the agency accountable for the vehicle, and prevents mistaking one agency for another that has the same acronym.)</p> <p>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</p>	DOF Proc. & Supply	Resolved Delinquent	<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 recommendation.</p> <p>In his 4/12/02 response, the Secretary of Finance informed OPA that revisions to the amended Government Vehicle Regulations are near completion, and a copy will be provided to OPA upon their adoption.</p> <p>Further Action Needed</p> <p>DOF should provide OPA copies of the revised Government Vehicle Regulations upon their adoption.</p>

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

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

Date(s) of followup letter(s) sent : 7/16/98 (GOV), 7/16/98 (DLNR), 9/9/98 (DLNR), 8/04/98 (PDO), 9/1/98 (TMO), 9/17/98 (DOF), 9/18/98 (DCCA), 9/21/98 (DPW) (SMO) (DOC) (CSC) (DPH) (NIMO) (RMO) (RMC) (SMC) (TMO) (SPRC) (SPMC) (NMC) (PSS), 9/22/98 (OMB), 4/21/99 (DPW), 4/22/99 (SMC), 4/30/99 (DOC), 11/22/99 (DCCA), 11/23/99 (DOC) (DOF) (DPH) (DPW), 11/24/99 (NIMO) (NMC), 11/26/99 (OMB) (PDO) (PSS), 11/29/99 (RMC) (RMO) (SPMC) (SPRC) (SMC) (SMO) (TMO), 3/8/00 (TMO), 7/3/00 (DPW), 7/6/00 (RMO) (SMO), 7/11/00 (NIMO) (NMC) (PDO) (PSS) (RMC) (SPRC), 7/13/00 (DOF), 9/5/00 (NIMO), 11/8/00 (CAO), 1/15/01 (PSS), 1/18/01 (NMC) (PDO) (RMC) (SMC), 1/19/01 (CAO), 1/22/01 (SMO), 1/30/01 (DCCA) (SPRC), 1/31/01 (RMO), 8/20/01 (NMC) (PSS), 8/21/01 (RMC), 8/22/01 (SMC) (SPRC) (SMO) (DCCA), 9/19/01 (SPRC), 3/4/02 (DCCA) (NMC) (SMO), 3/5/02 (RMC) (SPRC), 3/11/02 (PSS), 8/9/02 (SMO) (RMC), 8/12/02 (NMC) (PSS), 2/12/03 (RMC), 8/4/03 (RMC)

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
74. Take appropriate disciplinary actions against the three employees who were AWOL.	RMC	Closed	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	Closed	In his response received on 8/27/03, the Executive Director of RMC stated that as a result of files either being damaged or

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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.</p>	RMC	Open Active	<p>lost in the process of office relocation and a series of storms, he is unable to validate or provide official documentation to substantiate the former RMC Chairman's disciplinary actions taken against the three employees who were AWOL. The Executive Director further stated that the former Chief of staff and the three affected employees in question are no longer RMC employees. Because the former Chief of staff and the three affected employees are longer employed with RMC, OPA considers recommendations 74 and 75 closed.</p> <p>In his 9/21/01 response, the RMC Chairman stated that they have discussed the possibility of transferring some of their employees but given the current economic and budget situation of the Commonwealth, they will hold the status quo until they see what direction the economy takes.</p> <p>In his response received on 8/27/03, the Executive Director of RMC informed OPA that RMC has requested only the number of FTEs actually needed by their office in their FY 2004 budget request. However, in a follow-up telephone conversation with an Administrative Officer of RMC, OPA learned that RMC currently has two employees temporarily assigned to assist the Rota Aging Office. RMC is unable to permanently transfer these two employees to the Rota Aging Office because (1) the Rota Aging Office lacks the FTEs required for these two employees to be transferred as Civil Service employees, (2) the Rota Aging Office does not have available positions with the same position title and classification in order for these two employees to be transferred as Exempted Service employees, and (3) there are currently nine employees hired under the 8th RMC who were converted to Civil Service status and are currently "displaced" as a result of Public Law 13-1. Because these nine employees are in</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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the process of being transferred to respective departments based on the legal opinion of the Attorney General's Office, RMC believes that now is not the right time to permanently transfer the two employees to the Rota Aging Office until the issue with the nine "displaced" employees from the 8th RMC is settled.

Further Action Needed

RMC should inform OPA of actions taken to transfer the two employees to the Rota Aging Office.

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

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

Date(s) of response letter(s) received : 2/16/00 (CDA), 2/17/00 (NMIRF), 9/27/01 (CUC), 10/4/01 (NMIRF letter of request for extension to respond until 11/3/01), 10/12/01 (CPA), 3/11/02 (HOUSEREP), 3/15/02 (SENATE), 8/13/02 (NMC), 9/5/02 (CUC), 7/22/03 (NMIRF)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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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	Action Required No. 1 and 2 NMIRF	Closed	On July 22, 2003, the NMIRF Administrator provided OPA with a copy of the memorandum directed to the Fund Comptroller reminding him to strictly enforce the NMIRF Travel Policy that no further travel shall be authorized or permitted for a traveler who has failed to submit the proper vouchers from prior travel, until the
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Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
be required to immediately repay the advances when a complete TV is not timely filed.	Action Required No. 1 Gov.	Open Delinquent	vouchers are received and approved by the Administrator, and all outstanding travel advances cleared. He also authorized the Comptroller to deduct from payroll any amounts due from travelers and require Board of Trustees who are not part of the government payroll to immediately repay the advances when a completed travel voucher is submitted. Based on the copy of memorandum provided, the part of the recommendation addressed to NMIRF is now considered closed.
			The former Governor's response did not reemphasize the requirement of not granting requested new travel advances to travelers with unliquidated travel advances.
			Further Action Needed
			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.



Commonwealth Development Authority

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

Date(s) of followup letter(s) sent : 1/19/01 (DOF), 1/22/01 (CDA), 1/23/01 (Legislature), 8/21/01 (DOF), 8/22/01 (Legislature) (CDA), 3/4/02 (Legislature), 3/5/02 (CDA), 3/12/02 (DOF), 8/12/02 (Legislature) (DOF) (AGO), 10/3/02 (AGO), 2/12/03 (Legislature), 2/14/03 (AGO), 2/18/03 (CDA) (DOF), 8/4/03 (DOF) (AGO) (Legislature), 8/14/03 (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), 2/12/02 (meeting with AGO), 3/11/02 (CDA), 3/27/02 (DOF request for extension), 4/12/02 (DOF), 5/31/02 (CDA), 3/13/03 (meeting with Speaker of the House), 3/17/03 (DOF request for extension), 8/21/03 (CDA), 9/15/03 (AGO)

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	<p>In his 3/11/02 response, the CDA Comptroller informed OPA that the lessor agreed to reimburse the interest from the parking lot loan. OPA was provided a copy of an agreement where it was stipulated that from November 1, 2001 through October 1, 2006, \$108.38 will be deducted from the \$8,000 monthly rent as payment of interest due from the loan related to parking lot improvements.</p> <p>OPA performed an analysis of the reimbursement of interest from the parking lot loan based on the amended lease agreement. OPA computed that based on the agreement, a total of \$6,502.80 will be collected from the lessor (\$108.38 multiplied by 60 months which is the period of payment toward the interest due Lessee by Lessor from the loan related to parking lot improvements). The \$6,502.80 to be collected as payment towards the interest due is considerably short of the \$9,278.31 which OPA indicated should be collected from the Lessor. Therefore,</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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	Resolved Active	<p>this recommendation will remain open until the full amount of \$9,278.31 is collected from the Lessor.</p> <p>In her response dated 8/21/03, the Executive Director of CDA stated that CDA takes exception to the amount being questioned. The amount calculated by OPA of \$9,278.31 was based on a market rate of 12% whereas the amount calculated by CDA of \$6,502.80 was based on the opportunity cost of its DCD loans which is 9%. She further stated that the borrower would have qualified for a CDA loan at a lower rate, therefore, CDA believes that the amount calculated by OPA is excessive and petitions for a reduction of the amount to \$6,502.80. Based on the justification provided by CDA, OPA agrees that the amount calculated by CDA based on the 9% opportunity cost of its DCD loans is reasonable. Therefore, this recommendation will remain resolved until the full amount of \$6,502.80 is collected from the lessor.</p> <p>Based on the CDA Executive Director's response dated 8/21/03, total collections through June were \$2,056.42 leaving a balance of \$4,446.38 still collectible.</p> <p>Further Action Needed</p> <p>CDA should inform OPA of the status of collections for the amount of \$6,502.80 in accrued interest for the parking lot loan until fully recovered in October 2006.</p>
			<p>In a meeting with the Speaker of the House on 3/13/03, OPA was informed that the Legislature intends to introduce legislation to amend 1CMC §7402 to comply with OPA's recommendation.</p> <p>Further Action Needed</p> <p>We consider this recommendation resolved until appropriate legislation is</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. <i>Original:</i> The Secretary of Finance should require P&S to assess CDA's capability to administer its own procurement regulations. More specifically, P&S should determine whether CDA has adopted the CNMI's procurement regulations. If so, P&S should assess whether CDA has the staff capability to carry out the functions P&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&S would normally administer, and then make a decision as to whether CDA should be delegated procurement authority.</p>	DOF/AGO	Resolved Active	<p>introduced to amend 1 CMC §7402.</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>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring AGO's legal opinion.</p> <p>On 4/12/02, the Secretary of Finance provided OPA copies of DOF's memorandum to the AGO requesting a legal opinion on the matter.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that this case has been assigned to an Assistant Attorney General and is pending further investigation. He further stated that the AGO is currently preparing a legal opinion on autonomous agencies' ability to promulgate their own procurement rules.</p> <p>Further Action Needed</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&S determines whether CDA has the staff capability to carry out the functions P&S would normally administer; and (3) P&S then makes a decision as to whether CDA should be delegated procurement authority.</p>

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

Date(s) of followup letter(s) sent : 2/18/03, 8/14/03

Date(s) of response letter(s) received : 8/21/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. CDA Board should develop and follow procedures and guidelines that would provide managers and board members sufficient basis to:</p> <ul style="list-style-type: none"> • prohibit the approval of loans to borrowers having no capacity to repay loans. CDA should seriously consider prospective borrowers' past collection problems and defects in credit ratings when evaluating loan applications; • prohibit the granting of supplemental loans to highly delinquent borrowers as this circumvents the loan payment process, with the borrower using the additional loan proceeds to update his or her loan; • prohibit granting loan remedies to highly delinquent borrowers. CDA should approve loan revisions sparingly, and discourage repeated and routine approval of loan revisions as this practice masks delinquent borrowers by making their loans appear current. • help enforce the foreclosure of collateral of delinquent borrowers. • prohibit borrowers from substituting or selling mortgaged collateral unless they use the proceeds to repay outstanding loans. 	CDA	Resolved Active	<p>In her response dated 8/21/03, the Executive Director of CDA stated that CDA has placed a moratorium on all loans in order to review policy and to concentrate on staff's efforts on collections. The Executive Director also stated that eight clients have chosen to exchange their deed in lieu of foreclosure and that CDA is conducting appraisals to determine value and any related amounts that may still need to be paid to CDA. In their most recent Development Corporate Division Board meeting, the Executive Director stated that revisions were discussed and guidelines to be developed by management will be presented to the Board.</p> <p>Further Action Needed</p> <p>CDA should provide OPA a copy of revisions made to its procedures that address specific areas enumerated in Recommendation 1.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<ul style="list-style-type: none"> require that updated appraisal reports of collateral be obtained before initial and supplemental loans are granted. Also, appraisals of collateral property should be updated whenever the outstanding loan amounts have increased substantially. 			
<p>2. The CDA Executive Director should issue a policy memorandum reminding management and Board members to strictly enforce DCD rules and regulations concerning the: (a) 20 percent equity requirement, (b) 20-year maximum loan term, (c) conflicts of interest, and (d) insurance requirements and any civil and criminal penalties for failure to do so.</p>	CDA	Resolved Delinquent	<p>The response submitted by the Executive Director of CDA dated 8/21/03 did not address this recommendation.</p> <p>Further Action Needed</p> <p>CDA should provide OPA with a copy of policy memo that reminds management and board members to strictly enforce DCD rules and regulations cited in Recommendation No. 2.</p>
<p>3. The CDA Legal Counsel and the Attorney General's Office continue to take necessary legal action to foreclose collateral of borrowers' highly delinquent loans.</p>	CDA	Resolved Active	<p>In her response dated 8/21/03, the Executive Director of CDA stated that CDA will request from its legal counsel to forward a summary of the number of clients currently facing legal action.</p> <p>Further Action Needed</p> <p>CDA should provide OPA with documentation showing that it has taken legal action on its most delinquent loans.</p>

Commonwealth Ports Authority

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

Date(s) of followup letter(s) sent : 11/20/95, 3/7/96, 12/5/96, 2/02/98, 9/18/98, 11/22/99, 7/11/00, 1/17/01, 8/20/01, 3/5/02, 8/9/02, 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO), 10/27/03 (AGO)

Date(s) of response letter(s) received : 3/27/96, 12/24/96, 3/27/99, 10/12/01, 1/29/02, 8/21/02 (CPA request for extension), 8/30/02, 9/15/03 (AGO), 10/31/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. <i>Original:</i> The CPA Board Chairman should recover the \$42,191 in improper reimbursements from the board members unless they can specifically identify the expenses as CPA official business and/or present supporting documents.</p> <p><i>As Revised and Redirected to AGO:</i> Determine appropriate legal action to be taken to pursue collection from the board members of the remaining balance of \$40,131 which was improperly reimbursed.</p>	<p>CPA - Redirected to AGO</p>	<p>Resolved Active</p>	<p>In his letter response dated 3/27/96, the former Board Chairman stated that out of the \$42,191 improper reimbursements, \$2,060 has been repaid (\$808.60 was offset against travel receivables and \$1,251.60 was directly paid to CPA), leaving a balance of \$40,131 still collectible.</p> <p>On 10/12/01, the CPA Executive Director informed OPA that this matter was referred to AGO for review and action. AGO has yet to issue a determination on whether the recommendation should be pursued in court. CPA suggested that OPA ask AGO for a response in this matter.</p> <p>In his response dated 8/30/02, the CPA Executive Director provided OPA with a copy of its referral letter to AGO dated 12/24/96.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. On 10/27/03, OPA provided AGO with a copy of the audit report on this case referral and requested the Acting Attorney General to review the matter on this case and determine (1) whether the statute of limitations bars an action, and (2) if it is a matter that the AGO will pursue. On</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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10/31/03, the Acting Attorney General informed OPA that the CNMI's claim in this matter is potentially in the public interest, thereby removing the statute of limitations as a defense in this case insofar as civil liability is concerned. He further stated that AGO will further evaluate whether a viable suit exists. Based on the 10/31/03 response, OPA will forward to the AGO the file on this referral case for further evaluation.

Further Action Needed

AGO should inform OPA of the results of their evaluation and whether AGO will pursue civil action on this matter.

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

Date(s) of followup letter(s) sent : 1/17/01 (CPA), 1/19/01 (NMIRF), 8/20/01 (CPA), 8/21/01 (NMIRF), 3/5/02 (CPA) (NMIRF), 8/9/02 (CPA) (NMIRF), 8/12/02 (AGO), 10/3/02 (AGO), 12/24/02 (AGO), 2/14/03 (AGO) (CPA), 2/18/03 (NMIRF), 8/4/03 (NMIRF) (AGO)

Date(s) of response letter(s) received : 8/31/01 (meeting with CPA), 10/4/01 (NMIRF letter of request for extension to respond until 11/3/01), 10/12/01 (CPA), 1/29/02, 2/12/02 (meeting with AGO), 8/21/02 (CPA request for extension), 8/30/02 (CPA), 9/25/02 (CPA), 4/2/03 (NMIRF), 7/22/03 (NMIRF), 9/15/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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| 1. | <p><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</p> | <p>CPA
Redirected to AGO</p> | <p>Open
Active</p> <p>In his letter response dated 5/12/00, the CPA Board Chairman disagreed with Recommendation 1. He believed that CPA is not required or obliged to adopt rules and regulations similar or identical to the CNMI Personnel Regulations. He also stated that CPA's system of compensation is generally commensurate with the rest of the Commonwealth government. He further</p> |
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Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>eliminating authorization for FLSA-exempt (executive, administrative and professional) officials and employees to earn comptime, and the granting to six designated officials of 14 annual leave hours per payperiod, or 360 hours per year.</p>	<p><i>As Redirected:</i> The AGO should review the opinion provided by OPA regarding granting six designated officials 14 annual leave hours per payperiod and take legal action if determined necessary.</p>	<p>said that the granting of 14 hours annual leave per pay period to designated officials is a matter of personnel policy.</p>	<p>In his 10/12/01 response, the CPA Executive Director also disagreed with OPA's conclusion that CPA is required to adopt personnel rules and regulations that are similar, if not identical, to the CNMI's PSSRR. He stated that matters involving CPA personnel regulations, policies and benefits are strictly for the CPA board to decide. The Executive Director, suggested that the legislature could always review the matter and make recommendations to CPA to enact remedial legislation.</p> <p>In the proposed CPA Personnel Rules and Regulations, the CPA Executive Director has proposed provisions enumerated under Sections 3.05 and 3.07 which addressed OPA's recommendation of eliminating the grant to FLSA-exempt officials and employees to earn overtime or comptime. Also, Section 5.02 of the proposed Personnel Rules and Regulations states that "Employees shall accumulate annual leave at the same rate as such leave time would be accumulated by employees of the Government of the Commonwealth of the Northern Marianas Islands." However, upon inquiry to the CPA Office Manager, OPA learned that CPA still granted the 14 annual leave hours for the last personnel contract executed. The proposed Personnel Rules and Regulations were published in the Commonwealth Register on January 29, 2002 for review and comments by interested parties until February 29, 2002.</p> <p>In his response dated 8/30/02, the CPA Executive Director informed OPA that CPA's Personnel Rules and Regulations were adopted on August 8, 2002 and were published in the Commonwealth Register. He also stated that CPA's Personnel Rules and Regulations are</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>similar to the PSSRR in terms of personnel regulations, benefits and policies', however, the CPA Board decided to continue the accrual of 14 hours annual leave bi-weekly for several of its key management employees. On 9/16/02, OPA requested CPA for additional information on the matter.</p> <p>Based on additional information CPA provided to OPA on 9/25/02, OPA conducted an analysis of the various CPA positions that are currently receiving the 14 hours annual leave benefit per pay period. Based on the analysis, OPA concluded that the positions of the deputy director, deputy comptroller, and the staff engineer may not be entitled to 14 hours annual leave per pay period because they are not encompassed in the exception provided by 2 CMC §2122(n) and are not considered to be "specialists for which no comparable position exist in the Commonwealth". Thus, the compensation, wages, and salary scales of these positions "shall be commensurate with those paid by the Commonwealth requiring comparable education, training, or experience." Based on the analysis, OPA also concluded that while certain positions such as the executive director, comptroller and ports managers, are able to receive compensations non-commensurate "with those paid by the Commonwealth requiring comparable education", OPA maintains its concerns regarding the extension of such generous leave benefits and whether such compensation is truly "reasonable related to the operations of the government" as set forth in Article X, Section 1 of the NMI Constitution, Public Laws 12-2 and 11-84. On 12/24/02, OPA forwarded this information to the AGO for review of the legal issues identified and action if determined necessary.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that this</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>5. <i>Original:</i> The CPA Board of Directors should instruct the CPA Accounting Department to stop the practice of making advance payments of unused annual leave and salary, and comply with the provision in the employment contracts that payments will be made upon contract expiration. In the case of retiring employees not covered by employment contracts, payment should be made on the next payday following the termination of employment or on payroll due dates.</p>	CPA Redirected to AGO	Resolved Active	<p>case has been assigned to an Assistant Attorney General for review.</p> <p>Further Action Needed</p> <p>The AGO should provide OPA the results of its review on the matter.</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>			<p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring AGO's legal opinion.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that this case has been assigned to an Assistant Attorney General for review.</p> <p>Further Action Needed</p> <p>AGO should provide OPA a copy of its legal opinion on the matter.</p>
<p>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.</p>	NMI Retirement Fund	Resolved Delinquent	<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.</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	NMI Retirement Fund	Resolved Active	<p>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 beneficiaries, appeal and collection process, etc.</p> <p>In his response dated 7/22/03, the NMIRF Administrator stated that the pensions of two former CPA officials were recalculated "down" from the original calculations. OPA was not informed, however, of the results for recalculating the pension benefits of all other fund members in determining which beneficiaries have been overpaid and what further actions were taken after their determination.</p> <p>Further Action Needed</p> <p>NMIRF should inform OPA of the results of their recalculation of pension benefits for all other fund members in determining which beneficiaries have been overpaid and provide evidence that corrective action was taken to adjust the benefits of affected members.</p>
On 5/15/00, the Fund began withholding 50% of the former CPA Executive Director's semi-monthly pension. The Fund also conducted two separate agency hearings in connection with the retirement benefits improperly paid or				

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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.</p>	<p>NMI Retirement Fund</p>	<p>Closed</p>	<p>being paid to the former Executive Director and former Security Chief. In its decision dated 2/15/01, the Fund's Board of Trustees affirmed the decision and actions of its Administrator in terminating the retirement benefit of the former Security Chief. Also, in a letter dated 7/27/00, AGO concurred with the findings of OPA and determined that the overpayment to the former Security Chief of CPA must be recovered. The Fund's Board of Trustees has not yet issued its decision on the case of the former Executive Director.</p> <p>On 4/2/03, OPA was provided with a copy of the Board of Trustees decision dated 6/21/01 in which it affirmed the decision and actions of its Administrator in recalculating and adjusting the retirement benefits of the Former Executive Director. OPA was informed, however, that the Former Executive Director had appealed the Board's final decision to the Superior Court (Civil Action No. 00-0409E) and the case is still on-going.</p> <p>In his response dated 7/22/03, the NMIRF Administrator stated that they will update OPA on this issue when the CNMI Courts renders its decision on the Former Executive Director's appeal to the Superior Court.</p> <p>Further Action Needed</p> <p>NMIRF should provide OPA (1) evidence of a written settlement plan with the former CPA Security Chief requiring repayment to the Retirement Fund and (2) the results of the Superior Courts decision in reference to the appeal made by the Former Executive Director to the Superior Court.</p>
<p>10. The Fund Administrator should inform all government agencies how to compute retirement annuities, clearly explaining that overtime and comptime hours may</p>	<p>NMI Retirement Fund</p>	<p>Closed</p>	<p>AGO in its legal opinion dated 6/9/00, stated that overtime and compensatory time may not be used to calculate the amount of benefits, but only to determine eligibility for retirement.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
not be considered as part of credited service.			<p>AGO also stated that overtime and compensatory time cannot be used to determine the amount of the benefits paid to a retiree by the Retirement Fund. The Fund Administrator has yet to begin informing all government agencies about the proper computation of retirement annuity, clearly explaining the exclusion of overtime and comptime from credited service based on AGO's legal opinion.</p> <p>In his response dated 7/22/03, the NMIRF Administrator stated that NMIRF now has forms on how to compute retirement annuities and that NMIRF makes the "final" determination of the pension computation. Because a legal opinion has already been rendered that overtime and comptime hours shall not be used to calculate pension benefits, NMIRF should have clear guidelines when computing pension benefits. Therefore, OPA considers this recommendation closed.</p>

Commonwealth Utilities Corporation

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

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

Date(s) of response letter(s) received : 4/4/97 (AGO), 4/20/98 (AGO), 7/18/00 (CUC), 11/7/00 (meeting with Coordinating Group on AGO), 3/9/01 (AGO), 9/27/01 (CUC), 9/5/02 (CUC), 10/17/03 (CUC)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. The CUC Executive Director should establish and implement written policies and procedures regulating official representation, entertainment, and other expenses of similar nature. The policy should clearly indicate the officials authorized to incur such expenses, the circumstances when such expenses may be incurred, dollar limits on the amount that may be spent, and the places where such entertainment may be conducted. The procedures should include instructions on how to request advances and document official representation expenses.	CUC	Resolved Active	<p>On 7/18/00, the Executive Director provided OPA with a draft copy of policies regulating official representation and business entertainment expenses.</p> <p>In his 9/27/01 response, the CUC Executive Director stated that CUC will prepare to adopt the official representation policies at their next regular Board meeting.</p> <p>In his response letter dated 9/5/02, the CUC Acting Executive Director informed OPA that the proposed Official Representation policy is still under review by its Legal Counsel. Upon review, the policy will then be presented to the CUC Board of Directors for its adoption.</p> <p>In her response dated 10/17/03, the CUC Executive Director stated that the proposed official representation policy previously submitted to OPA was revised to mirror the CNMI's Regulations for the Control of Public Funds. OPA was provided a copy of the revised policy which is now under review by the CUC Board. OPA was also provided a copy of the CUC Executive Director's letter to the Board dated 10/2/03 requesting action on this matter.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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 Active	<p data-bbox="919 302 1179 323"><i>Further Action Needed</i></p> <p data-bbox="919 365 1333 453">Provide OPA with a copy of the revised Official Representation policy upon its adoption.</p> <p data-bbox="919 499 1341 741">In his 9/27/01 response, the CUC Executive Director stated that the CUC Comptroller has been tasked to establish procedures to ensure compliance with Recommendation No. 8 (purchases requiring cash payment, wire transfers, and allowability of cash purchases for reimbursement).</p> <p data-bbox="919 783 1354 898">In his response letter dated 9/5/02, the CUC Acting Executive Director provided OPA with a copy of CUC's proposed policies and procedures for wire transfers.</p> <p data-bbox="919 940 1341 1182">In her response dated 10/17/03, the CUC Executive Director stated that the proposed policies and procedures regarding wire transfers are awaiting adoption by the CUC Board. OPA was provided a copy of the CUC Executive Director's letter to the Board requesting action on this matter.</p> <p data-bbox="919 1224 1179 1245"><i>Further Action Needed</i></p> <p data-bbox="919 1287 1354 1367">CUC should provide OPA with a copy of the policies and procedures for wire transfers upon their adoption.</p>

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

Date(s) of followup letter(s) sent : 3/4/02, 8/12/02, 2/14/03, 4/21/03, 8/5/03, 11/10/03 (AGO)

Date(s) of response letter(s) received : 1/17/02, 9/5/02, 3/20/03, 7/7/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. <i>Original</i> - The Chairman of the Board and the Executive Director initiate recovery of any overpayments mentioned in this report.</p>	<p>CUC Redirected to AGO</p>	<p>Resolved Active</p>	<p>The findings pertaining to TA's with erroneous per diem payments are considered resolved pending the submission of pertinent documents needed to close the recommendation.</p>
<p><i>As re-directed to the AGO:</i> The AGO should determine whether recovery of the overpayments which have not been repaid will be pursued and inform OPA of what actions the AGO will be taking.</p>			<p>On 9/5/02, CUC provided OPA with a schedule showing payment paid by Board Member 1 for TA no. 00-375 totaling \$471, and CUC Officer 1 and Board Member 7 for \$415 and \$525, respectively, for erroneous per diem payments.</p> <p>In his response dated 3/20/03, the Chairman for the CUC Board of Directors informed OPA that CUC has reverted to paying the subsistence allowance as recommended in the OPA audit report but that the present CUC Board of Directors has sanctioned the overpayments of the concerned Board members for the difference between the per diem they received and the subsistence allowance authorized and has provided justification for its decision, particularly in the case of the current board member who resides in Rota. On 4/21/03, OPA issued a letter to the Chairman of the CUC Board of Directors informing him that the position taken by the Board of Directors causes OPA concern for two reasons. First, it is inconsistent. To collect refunds for the overpayment from two individuals, but to excuse the others is inequitable. In addition, to state that CUC has reverted to paying the subsistence amount, indicating recognition that it is the authorized amount, but allowing</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>individuals to retain the excess received over the subsistence amount is contradictory. Second, the letter provided by the Chairman of the CUC Board of Directors does not reflect the legal authority for an after the fact sanctioning of what the text of his letter and actions against the former employee and board member appear to recognize to be an improper act. OPA informed the Chairman of the CUC Board of Directors that without clearer legal authority or additional information to support their decision to sanction the overpayments, the recommendation will remain open.</p> <p>On 7/7/03, OPA received a response from the CUC Board of Director's former Legal Counsel informing OPA that the Board has determined that they will (1) immediately reimburse the individuals who have paid the difference between the subsistence allowance and the per diem rate, (2) waive any further payment of outstanding sums, as noted in the audit recommendation, (3) insure that only payment of the subsistence amount is paid, and (4) present any anticipated change in policy as to sums paid with respect to inter-island travel to OPA for review and comment prior to final action. According to the Board's former Legal Counsel, the timing for denial of the payment, or requirement for reimbursement under an audit has passed, therefore, CUC will reimburse those who previously made payment and waive any additional payments from others.</p> <p>On 8/5/03, OPA issued a letter to the Chairman of the CUC Board of Directors informing him that the time for collection has not passed and that the overpayments must be repaid by the individuals that received the monies as "such payments were improper", which is undisputed, as set forth by CUC in its response. As such, there is no legal basis presented by CUC to justify the waiver of payment by those individuals that have not repaid the funds. In addition,</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>there is no legal basis to justify the reimbursement to those individuals that have repaid CUC for the erroneous payment. OPA believes that action for collection of the overpayments would be in the public interest and would be made against those having possibly breached their fiduciary duties by receiving and not repaying the funds. OPA is also concerned that the reimbursement for the funds received in repayment and the waiver of the funds due for the overpayment by the other individuals, absent a legal basis to do so, may present a new breach of duty based on unjustified sanctioning of such actions. OPA, therefore, cannot consider this matter closed and must refer this matter to the Office of the Attorney General for review at this time.</p> <p>On 11/10/03, OPA forwarded to the Deputy Attorney General documents relating to the overpayments and questionable payment for further review and determination as to whether amounts in question should be recovered.</p> <p>Further Actions Needed</p> <p>The AGO should inform OPA whether recovery for the erroneous per diem payments and questionable payment below which have not been repaid will be pursued and what actions will be taken.</p> <ul style="list-style-type: none"> • TA's with erroneous per diem payments for Board Member 1, Board Member 3, and Board Member 4 totaling \$2,730. • Questionable payment for one day per diem for TA no. 00-238 amounting to \$243.
		Closed	<p>OPA will close the part of the recommendation pertaining to TA no. 00-404 due to immateriality of the amount in question.</p>

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

Date(s) of followup letter(s) sent : 2/14/03, 9/2/03

Date(s) of response letter(s) received : 10/17/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The CUC Board should amend CUC's Procurement Regulations to include:</p> <ul style="list-style-type: none"> 1. a clear definition of artificial division of purchases or split purchases; 2. the procurement method to be followed in special circumstances, such as for urgently needed goods or services; 3. An exception to the required 3 quotations when the number of available suppliers is very limited. 	CUC	Resolved Active	<p>On 10/17/03, the CUC Executive Director provided OPA with the following proposed policies, forms, and amendments to the CUC Procurement Regulations which are now with the CUC Board for their review, adoption, and promulgation.</p> <p><i>Split Purchases</i> - CUC has proposed amendments to the CUC Procurement Regulations regarding split purchases which provides clear definition of split purchases and guidance for determining the existence of such type of procurement.</p> <p><i>Emergency Procurement</i> - CUC has proposed amendments to the CUC Procurement Regulations regarding emergency procurement which specifies conditions for use, procedures, documentation, and authorizations required for such type of procurement.</p>
<p>2. The CUC Board should adopt policies and procedures for small purchases that:</p> <ul style="list-style-type: none"> 1. provide adequate guidance to CUC employees on determining split purchases or artificially divided purchases; 2. define the coverage of emergency procurement under the after-the-fact procurement method specified in the CUC Comptroller's memorandum dated October 24, 2001; 3. provide procedures for identifying and documenting actual or potential conflicts of interest, including procedures 	CUC	Resolved Active	<p><i>Sole Source Procurement</i> - CUC has designed a Sole Source Justification Form to document the procurement method when CUC cannot obtain three quotations because of special circumstances.</p> <p><i>After-the-Fact Purchase Orders</i> - CUC has drafted a proposed policy on after-the-fact purchase orders viewing it as a serious matter and with the ultimate goal of eliminating it. Only in emergency situations may the corporation ratify after-the-fact purchases as commitments which are governed by applicable</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>for ensuring that conflicted employees recuse themselves from participating in the procurement process.</p>	CUC	Closed	<p>emergency procurement regulations.</p> <p><i>Conflict of Interest</i> - In a memorandum dated 10/17/03, the CUC Executive Director instructed the CUC Procurement Manager to advise all employees involved in the procurement process to observe CUC's policy on conflict of interest. CUC has proposed a Disclosure Statement Form which will require all concerned to disclose any substantial interest that employees or their relatives have in any CUC procurement matter. The CUC Procurement Manager was also instructed to coordinate with OPA to provide annual Government Ethics training for its staff.</p> <p>OPA was provided a copy of the CUC Executive Director's letter to the Board requesting action on these matters.</p> <p>Further Actions Needed</p> <p>Recommendation 1 - CUC should provide OPA a copy of its duly adopted and promulgated amendment to its Procurement Regulations addressing split purchases, emergency procurement, and sole source procurement.</p> <p>Recommendation 2 - The CUC Board should provide OPA a copy of the (1) duly adopted and promulgated amendment to its Procurement Regulations addressing split purchases, (2) adopted policies addressing after-the-fact purchase orders, and (3) and adopted Disclosure Statement Form.</p>
<p>3. The Executive Director should direct the Procurement and Supply Manager to:</p> <ol style="list-style-type: none"> 1. consolidate related purchase requests into one PO that is competitively procured if it exceeds the small purchase threshold; 	CUC	Closed	<p>On 10/17/03, OPA was provided a copy of the memorandum from the CUC Executive Director to the Procurement Manager directing him to:</p> <ul style="list-style-type: none"> • Combine like purchases, where possible, for bidding and quantity discount pricing, • Coordinate with the heads of

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. prepare periodic procurement plans covering anticipated needs for goods and services, useful in budgeting for CUC's needs;</p> <p>3. ensure that the requirement for 3 quotations is complied with and properly documented. Toward this end, a form showing vendors contacted, description of goods or service requested, vendors' prices and responses, as well as other pertinent information, would be useful;</p> <p>4. ensure that small purchases are issued with a PO including a requisition voucher as provided in the Comptroller's memorandum dated October 24, 2001, before the corresponding goods or services are delivered.</p>	CUC	Closed	<p>Water, Wastewater, and Administration for implementation of the annual material supply method for procuring materials and to evaluate their current OrCom System, together with all the division heads, to determine if it provides timely and useful information regarding material inventory levels and economic ordering quantities,</p> <ul style="list-style-type: none"> • Ensure that the requirement for obtaining at least three quotations is followed and properly documented anytime the solicitation of quotes is obligatory. If less than three quotes is obtained, a written explanation should be included as part of the documentation, • Reiterate to all concerned the 10/24/01 memorandum from the Comptroller to ensure that all purchases are supported by prior approved requisition vouchers and purchase orders before goods and services are delivered.
<p>4. The Executive Director should remind CUC officials and employees involved in the procurement process of the need to comply with the conflict of interest provision in CUC's Procurement Regulations. Also, the Executive Director should remind accounting personnel to process vendors' payments supported with invoices.</p>	CUC	Closed	<p>Based on the memorandum provided, this recommendation is now considered closed.</p> <p>In a memorandum dated 10/17/03, the CUC Executive Director instructed the CUC Procurement Manager to advise all employees involved in the procurement process to observe CUC's policy on conflict of interest. CUC has proposed a Disclosure Statement Form which will require all concerned to disclose any substantial interest that employees or their relatives have in any CUC procurement matter. The CUC Procurement Manager was also instructed to coordinate with OPA to provide annual Government Ethics training for its staff. Based on the</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>memorandum and copy of proposed Disclosure Statement Form provided, the part of the recommendation pertaining to conflict of interest is now considered closed.</p> <p>OPA also considers the part of the recommendation pertaining to processing of vendor's payments closed since the finding was based on a one-time transaction in which CUC has verified the accuracy and validity of vendors' charges. In the future, however, CUC should ensure that all payments are made based on valid supporting documentation such as vendor's invoices or billing statements.</p>
<p>4. Report No. AR-03-01 issued January 15, 2003 Commonwealth Utilities Corporation Audit of Personnel Hiring from October 1, 1999 through July 15, 2001</p>			

Date(s) of followup letter(s) sent : 9/2/03

Date(s) of response letter(s) received : 2/21/03, 10/17/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. Continue the effort to develop and adopt comprehensive personnel rules and regulations. If it determines that limited term appointments are necessary for CUC operation, it should define its practice in the proposed personnel regulations.</p>	CUC	Resolved Active	<p>In her response dated 10/17/03, the CUC Executive Director stated that the Board's Personnel Committee is pursuing the revision of their existing Personnel Rules and Regulations to be presented to the Board for approval and for promulgation as CUC Regulations. OPA was provided a copy of the Executive Director's letter to the Board dated 10/2/03 requesting action on this matter.</p> <p>Further Action Needed</p> <p>CUC should provide OPA with a copy of the revised Personnel Rules and</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			Regulations promulgated as regulations.
2. Continue the effort to develop and adopt CUC's own Classification and Compensation Schedule and transmit it to the Legislature for review or adopt the salary scale applicable to autonomous agencies to ensure that its employees are fairly compensated.	CUC	Resolved Active	In her response dated 10/17/03, the CUC Executive Director stated that the private contractor they hired to prepare their classification and compensation schedule is expected to submit its final draft of their work by November 2003.
			Further Actions Needed
			CUC should provide OPA a copy of the adopted Classification and Compensation schedule.
3. Strongly consider hiring a qualified permanent human resource manager to ensure that CUC follows the merit system and to help CUC implement a comprehensive personnel manual.	CUC	Closed	In a letter dated 2/21/03, the CUC Executive Director informed OPA that it has hired a permanent Human Resources Manager. Based on the information provided, this recommendation is now considered closed.
4. Develop a control procedure to ensure that all CUC employees receiving compensation have authorized personnel actions.	CUC	Closed	In a letter dated 2/21/03, the CUC Executive Director informed OPA that its Procedures Manual includes control procedures to ensure that all employees receiving compensation have authorized personnel actions. Based on the information provided, this recommendation is now considered closed.
5. The Chairman of the Board issue a directive to ensure that board members focus on policy matters and leave personnel hiring to the Executive Director and the human resources manager.	CUC	Closed	On 2/21/03, the CUC Executive Director provided OPA with a copy of the directive from the CUC Board Chairman to all the Board Members reminding them that the Board's principal role is to provide policy direction and not manage the daily operations of the organization and utility systems. The Board Chairman also reminded the Board members that Section 3.6 of its adopted interim Human Resource Policies and Procedures Manual provides that the board has delegated all hiring of employees of the Corporation to the Executive Director except for those positions designated as Board Hired Employees. Based on the copy of directive provided, this recommendation is now considered closed.

**5. Report No. AR-03-02 issued January 22, 2003
Commonwealth Utilities Corporation
Audit of Premium Pay, Overtime, and Salary Increases
from October 1, 1999 through September 30, 2001**

Date(s) of followup letter(s) sent : 9/2/03
Date(s) of response letter(s) received : 2/21/03, 10/17/03

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. Develop and adopt Personnel Rules and Regulations to cover promotion and salary increase justifications, and the various forms of premium pay it plans to use, as well as to conform to the requirements of the Fair Labor Standards Act concerning computation of overtime.</p>	CUC	Resolved Active	<p>In her response dated 2/21/03, the CUC Executive Director informed OPA that the CUC Board of Directors adopted an interim manual for Human Resources Policies and Procedures (HRPP) on 12/27/02. Upon completion of its review from staff and management, the Board will adopt the manual in a final form and present it to the AGO for review and promulgation in the Commonwealth Register as a regulation. CUC is preparing to issue a solicitation for a firm to create new classification and compensation plans for reclassification for the Corporation. The HRPP will address the issues of promotion and provide for a competitive promotional process. The compensation plan will provide for step increases in salaries for employees. The HRPP requires strict compliance with the Fair Labor Standards Act and it is CUC's intention that, with the concurrence of the consulting firm doing the compensation plan, CUC will eliminate premium pay and incorporate all aspects of any individual position which would impact compensation into the base salary. Based on the information provided, this recommendation is considered resolved until such time that the manual for HRPP is promulgated as regulations.</p> <p>In her response dated 10/17/03, the CUC Executive Director stated that</p>

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. Obtain legal determination of the elimination of hazardous duty pay, on-call, and standby pay to current and new employees so that CUC will not violate any labor laws.	CUC	Closed	<p>the Board's Personnel Committee is pursuing the revision of their existing Personnel Rules and Regulations to be presented to the Board for approval and for promulgation as CUC Regulations.</p> <p>Further Actions Needed</p> <p>CUC should provide OPA a copy of the manual for HRPP promulgated as regulations.</p>
4. Obtain legal determination on whether or not CUC should compensate employees who did not receive the full amount of hazardous duty pay due them.	CUC	Closed	<p>In her response dated 2/21/03, the CUC Executive Director informed OPA that an opinion rendered from its Legal Counsel finds that the Corporation is not required by law to pay premium pay. The only exception is the CNMI requirement that government employees who work on holiday be paid twice their base salary rate. Thus, CUC will continue with its plan to incorporate all job facts into base salary as it pursues the creation of a new compensation and classification system. On 10/17/03, OPA was provided a copy of the legal opinion rendered from its Legal Counsel. Based on the copy of legal opinion provided, this recommendation is now considered closed</p> <p>In her response dated 2/21/03, the CUC Executive Director provided OPA with a copy of an amendment to the Personnel Manual which was approved by the Board of Directors on 7/22/97 and the minutes of that meeting. The amendment establishes a process for assessing the duties of any position involving hazardous work. The amendment also provides for a salary adjustment which, rather than pay for all work done during the 8 hour period at the hazardous rate, provides for a determination of the percentage of time hazardous duties are performed and adjustment of 25% for that period of time. Based on the documents provided, this</p>

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
5. Obtain legal determination on possible recovery regarding overpayment of annual and sick leave as a result of CUC imbedding hazardous duty pay, standby pay and on call pay in base salaries.	CUC	Closed	<p>recommendation is considered closed.</p> <p>In her response dated 2/21/03, the CUC Executive Director provided information on the following:</p> <p>Hazardous Pay: CUC concluded that no adjustment is necessary based on the amendment to the personnel manual which was approved by the Board of Directors on 7/22/97 regarding the method of making hazardous pay adjustment. The response provided by CUC, however, did not provide for any legal determination on possible recovery regarding overpayment of annual and sick leave as a result of CUC imbedding hazardous duty pay.</p> <p>Stand-by Pay: The change in payment of stand-by pay for the former Executive Director was made pursuant to Board approval and is not a matter covered by the CUC Personnel Manual in existence at the time. Based on the information provided, the part of the recommendation pertaining to stand-by pay is considered closed.</p> <p>On-Call Pay: CUC requested a legal determination concerning a possible recovery of overpayment of on-call pay resulting from the imbedding of on-call base salaries of certain management employees. After reviewing that opinion, CUC management has determined it will not pursue recovery of amount at issue, which total \$1,159. OPA, however, has not been provided a copy of the legal opinion. Therefore, the part of the recommendation pertaining to on-call pay is considered resolved until OPA is provided a copy of the legal opinion concerning a possible recovery of overpayment of on-call pay.</p>

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. Seek legal determination to implement a policy consistent with FLSA to require executive, professional and administrative employees to time-in-and-out daily using CUC's biometric system.	CUC	Closed	<p>On 10/17/03, the CUC Executive Director provided OPA with a copy of the legal opinion rendered from the CUC Legal Counsel regarding possible recovery regarding overpayment of annual and sick leave as a result of CUC imbedding hazardous duty pay and concerning possible recovery of overpayment of on-call pay. Based on the information and copy of the legal opinion provided, this recommendation is now considered closed.</p> <p>In her response dated 2/21/03, the CUC Executive Director informed OPA that CUC has requested and received a legal determination concerning its time keeping requirements regarding executive, professional, and administrative employees. After reviewing that legal determination, CUC management has determined that no change will be made to the present system which excepts the heads of divisions and executive offices, professional employees and two executive support positions from using the time clock.</p> <p>On 10/17/03, the CUC Executive Director provided OPA with a copy of the legal opinion rendered from the CUC Legal Counsel concerning its time keeping requirements. Based on the copy of the legal opinion provided, this recommendation is now considered closed.</p>
7. Issue a directive to all rating officials to ensure that exceptional ratings are properly justified in writing.	CUC	Closed	<p>In her response dated 2/21/03, the CUC Executive Director provided OPA with a copy of the directive from the Executive Director to the Division Managers and Section Supervisors dated 2/19/03 reminding them to fully justify all exceptional ratings of employees when filling out performance reports. Based on the copy of directive provided, this</p>

Recommendations	Agency to Act	Status	Agency Response/ Additional Information or Action Required
8. Require that all future salary increases are properly justified.	CUC	Resolved Active	<p>recommendation is considered closed.</p> <p>In her response dated 2/21/03, the CUC Executive Director informed OPA that this recommendation can not be fully addressed until the implementation of a final manual compensation and classification schedule. Based on the interim manual, it is CUC's intention that all future salary increases will be justified by the overall salary planning a documented system for promotion. OPA was provided a directive from the Executive Director to Division Managers and Section Supervisors dated 2/19/03 requiring that any request for salary increase or "adjustments" be justified at the time of initiation and submitted for approval to the Executive Director and the Budget Office prior to any actions being taken by Human Resources to implement such a change. The Executive Director further stated that CUC will carefully scrutinize any such requests and intends, absent compelling reasons, to defer any requests until such compensation plan is adopted.</p> <p>In her response dated 10/17/03, the CUC Executive Director stated that the private contractor they hired to prepare their classification and compensation schedule is expected to submit its final draft of their work by November 2003.</p> <p>Further Actions Needed</p> <p>CUC should provide OPA with the manual compensation and classification schedule upon its finalization.</p>

Marianas Public Lands Authority

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

Date(s) of followup letter(s) sent : Verbal follow-ups made through the telephone, 11/29/96, 12/3/96, 2/20/97 (AGO), 11/20/97, 9/17/98 (AGO), 3/3/98 (AGO), 9/18/98 (DLNR), 11/23/99 (DLNR), 1/26/99, 1/5/00 (AGO), 7/6/00 (DPL), 7/12/00 (AGO), 1/17/01 (AGO), 1/24/01 (DLNR), 8/21/01 (AGO), 8/23/01 (OPL), 8/12/02 (MPLA) (AGO), 10/3/02 (AGO), 2/14/03 (AGO) (MPLA), 8/4/03 (MPLA) (AGO), 10/27/03 (AGO)

Date(s) of response letter(s) received : 11/14/95, 6/27/96, 4/4/97 (AGO), 9/11/97, 4/20/98 (AGO), 3/17/99, 10/21/99 (DPL), 1/20/00 (AGO), 6/2/00 (DPL), 9/27/00 (DPL), 10/31/00 (meeting with Coordinating Group on DLNR), 11/7/00 (meeting with Coordinating Group on AGO), 2/8/01 (DPL), 2/22/01 (DPL), 3/9/01 (AGO), 8/30/01 (OPL), 9/28/01 (OPL), 2/12/02 (meeting with AGO), 3/6/02 (MPLA), 8/19/02 (MPLA), 3/10/03 (MPLA), 9/15/03 (AGO), 10/31/03 (AGO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original:</i> -The Secretary of DLNR should require the cardholders to reimburse the Marianas Public Land Corporation (MPLC) for all the unallowable and unsupported credit card charges, unless they can specifically relate the charges to MPLC official business and present supporting documents. If necessary, the Secretary of DLNR and the Director of DPL should seek the assistance of the Attorney General to recover the personal, unallowable, and unsupported credit card charges from the cardholders.</p> <p><i>As Revised and Redirected to the Attorney General's Office:</i> The Attorney General should take appropriate action to recover the personal, unallowable, and unsupported credit card charges from 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 AGO requiring monthly payments to the Division of Public Lands.</p> <p>c) The former Tinian Board member entered into a settlement agreement for \$11,657 payable in monthly installments of \$250 to DPL beginning January 2000.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<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 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>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> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring specific actions to be taken by AGO.</p>
<p>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>	AGO	Resolved Active	<p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. On 10/27/03, OPA provided AGO with a copy of the audit report on this case referral.</p> <p>Further Action Needed</p> <p>The AGO should provide documents on conveyance of property for debt settlement of former Executive Director and copy of judgement on lawsuit filed against the former Comptroller.</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>	DPL (currently Marianas Public Lands Authority)	Resolved Delinquent	<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 the Marianas Public Lands Authority (MPLA), beginning January 2000. The former Board Chairman and Rota Board member both signed promissory notes for \$15,646.87 and \$25,673.29, and will make payments of \$50 and \$200 respectively, directly to MPLA. Total amount to be recovered is \$52,977.16.</p> <p>As a result, MPLA now maintains subsidiary ledgers to record payments received from the former Tinian Board member who signed the settlement agreement, and the former Board Chairman and Rota Board member who both signed promissory notes.</p> <p>As of February 2002, the former Tinian Board member has a balance of \$8,982, the former Board Chairman has a balance</p>

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			the former Board Member to MPLA.
			<i>Further Action Needed</i>
			MPLA should continue to provide OPA with the status of collections. MPLA should provide OPA with a copy of the finalized promissory note executed with the former Rota Board Member, an update on the possible legal proceeding to be taken against the former Chairman of the Board and an update on the application for Entry of Judgement to be taken against the former Tinian Board Member.

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

- Date(s) of followup letter(s) sent : 12/4/96, 11/20/97, 3/3/98 (AGO), 9/17/98, 11/23/99, 1/26/99, 1/5/00 (AGO), 7/12/00 (AGO), 1/17/01 (AGO), 8/21/01 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO)
- Date(s) of response letter(s) received : 4/4/97(AGO), 9/11/97, 3/10/98, 4/20/98 (AGO), 1/20/00 (AGO), 11/7/00 (meeting with Coordinating Group on AGO), 3/9/01 (AGO), 2/12/02 (meeting with AGO), 9/15/03 (AGO)

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p><i>As Revised and Redirected to the Attorney General's Office:</i> The Attorney General's Office should: (a) initiate legal proceedings to collect rentals due from Corporation A and Restaurant A, (b) recover from the former President of Corporation B all payments collected from Corporation C for the unauthorized subleasing of the Saipan Fishing Center building, as well as any rentals collected from the operators of Restaurant B, and (c) notify Restaurant A to pay rentals directly to DPL on a month-to-month basis.</p>			<p>need to be fully explored to determine if the case truly has merit.</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring specific actions to be taken by AGO.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a settlement agreement was reached in September 1997 and that the AGO will forward a copy of the settlement agreement to OPA upon written request. On 11/7/03, OPA issued a written request to the AGO requesting a copy of the settlement agreement. On 11/12/03, OPA received a copy of the settlement agreement from the AGO. Upon further review, OPA determined that the settlement agreement pertained to rentals due from Corporation A which was already considered closed by OPA.</p> <p>Further Action Needed</p> <p>The AGO should provide OPA with results of their review and actions to be taken against Restaurant A and against the former President of Corporation B.</p>

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

Date(s) of followup letter(s) sent : 1/22/01, 8/27/01, 8/12/02, 2/14/03, 8/4/03

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. The Board of Public Lands (BPL) should require the DPL Director to take steps to collect the \$4.69 million in underpayment of rentals (including interest) on land leases with 8 quarries, and refer those lessees who refuse to pay to the Attorney General's office for legal action.</p>	<p>BPL (currently Board of Marianas Public Lands Authority)</p>	<p>Resolved Delinquent</p>	<p>After billings were sent to collect the \$4,690,707.81 in underpayment of rentals, quarry operator H paid \$789.87 as full payment. However, the amount of \$946,967.58 owed by quarry operator B was written off due to its bankruptcy. Therefore, of the 8 quarry operators, DPL will pursue collection of lease rentals and interest from the remaining six quarry operators, for a total of \$3,742,950.36.</p>
			<p>The status of collections for the remaining six quarry operators as provided by MPLA is as follows:</p>
			<p>a. Quarry Operator A - A promissory note has been drafted for the settlement of unpaid rentals. The promissory note is currently under review by the the MPLA Legal Counsel. On 12/18/02, MPLA provided OPA with a copy of the payment receipt evidencing partial payment made by Quarry Operator A on 10/30/02 amounting to \$300.</p> <p>b. Quarry Operator C proposed to make monthly installment payments of \$500 in settlement of its outstanding arrears. A promissory note has been drafted and is currently under review by the MPLA Legal Counsel. The permittee, however, has requested MPLA to waive the interest assessed to assist it in updating its past due accounts. Quarry Operator C's request to waive interests assessed</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>will be presented to the MPLA Board at its regular meeting on 8/23/02 for proper disposition. On 3/7/02, MPLA offset its \$5,350 contract obligations due to Quarry Operator C as partial settlement towards its outstanding obligations. Quarry Operator C also initiated its monthly payment of \$500 on 8/6/02 per receipt no. 2002-01345. On 9/24/02, MPLA provided OPA with a copy of the payment receipt evidencing another partial payment of \$500 made by Quarry Operator C on 9/3/02. On 12/18/02, MPLA provided OPA a copy of the payment receipt evidencing payment made by Operator C on 10/4/02 for \$500.</p> <p>Total payments made by Quarry Operator C, including the amount offset against contract obligations with MPLA as settlement towards its outstanding obligations, amounted to \$6,850.</p> <p>c. Quarry Operator D proposed to make monthly installment payments of \$5,000 beginning November 2001. A promissory note has been drafted and is currently under review by the MPLA Legal Counsel. Last payment received from Quarry Operator D was on 3/28/02 for \$5,000 per receipt no. 2002-00733. On 9/24/02, MPLA provided OPA with a copy of the payment receipt evidencing partial payment of \$5,000 made by Quarry Operator D on 8/21/02.</p> <p>[Prior payments made on 11/28/01, 1/02/02, 1/31/02, 2/28/02, 8/6/02 totaling \$20,000].</p> <p>Total payments made by Quarry Operator D amounted to \$30,000.</p> <p>d. Quarry Operator E - On 4/4/03, MPLA provided OPA a copy of the Promissory Note executed between Quarry Operator E and MPLA. Quarry Operator E promises to pay MPLA the total sum of \$250,000 in</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>which \$10,000 is due immediately upon the execution of the Promissory Note and subsequent payments of \$2,000 per month for the first three consecutive years due on the first day of each month thereafter. OPA was also provided a copy of the payment receipts evidencing payment made by Quarry Operator E for the initial payment of \$10,000 on 3/17/03 and subsequent payment of \$2,000 on 4/2/03.</p>
			<p>e. Quarry Operator F - On 4/4/03, MPLA provided OPA a copy of the Promissory Note signed by Quarry Operator F on 11/29/02. Quarry Operator F promises to pay MPLA the sum of \$11,660 which represents outstanding royalties from 3/1/90 - 7/12/91. The outstanding balance shall be paid in monthly installments of \$500 and the first installment shall be due immediately upon receipt of the promissory note and subsequent payments due on the first day of each month thereafter until paid in full. OPA was also provided a copy of three payment receipts evidencing payments made by Quarry Operator F on 11/29/02, 1/17/03, and 2/28/03 totaling \$1,500.</p>
			<p>f. Quarry Operator G - On 3/13/01, MPLA provided Quarry Operator G a reconciliation of the outstanding unpaid account and clarifications on the disputed charges. Quarry Operator G provided its own reconciliation to MPLA on 3/18/02 and proposed a settlement of \$24,044.27 which includes interest through 3/31/02. On 8/8/02, MPLA issued its response and finalized its reconciliation with Quarry Operator G. On 4/4/03, MPLA provided OP a copy of the payment receipt evidencing payment made by Quarry Operator G on 2/28/03 for \$27,115.68 which represents payment for royalty pending reconciliation of their account.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>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).</p>	<p>BPL (currently Board of Marianas Public Lands Authority)</p>	<p>Open Delinquent</p>	<p>[Prior payments made on 9/5/00 for \$30,072.91].</p> <p>Total payments made by Quarry Operator G amounted to \$57,188.59.</p> <p>Further Action Needed</p> <p>Provide OPA with an updated reconciliation of the remaining balance for the six quarry operators for the underpayment of rentals in the amount of \$4,690,707.81 for lease years 1990 to 1995, the period of the audit.</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>In a 1/4/02 response from MPLA, the Commissioner (formerly Executive Director) stated that they will be providing OPA updates on the "open" recommendations as they materialize.</p> <p>In her response letter dated 8/19/02, the Commissioner stated that MPLA has yet to finalize assessment of the additional revenues pending requests and negotiations with lessees/permittees which require thorough review.</p> <p>The response submitted by the Commissioner of MPLA dated 3/10/03 did not address this recommendation.</p> <p>Further Action Needed</p> <p>Provide OPA copies of the results of the review and supporting documents.</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</p>	<p>BPL (currently Board of Marianas Public Lands Authority)</p>	<p>Resolved Delinquent</p>	<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</p>

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

Northern Marianas College

I. Report No. AR-03-03 issued on February 19, 2003
Northern Marinas College
Evaluation of the Facts and Circumstances Surrounding
the Termination of Employees

Date(s) of followup letter(s) sent : 8/1/03
 Date(s) of response letter(s) received : 4/1/03, 8/5/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Board Chairman review with the Board of Regents their responsibilities as Board members, begin to meet on a more timely basis as a full Board, and promptly document their actions as required by Policy.	NMC	Closed	In his response dated 8/5/03, the NMC President provided OPA with a copy of Board minutes from September through April 2003 which documented the results of the meetings. Also, the 4/25/03 Board minutes indicated that the program committee met and discussed proposed policies 1000 - 1007. OPA was also provided a copy of the proposed Board Operation Policies that specified the duties of the Board, namely Policies 1000 - 1029 which were approved and adopted by the NMC Board of Regents on 6/27/03. Based on the documents provided, this recommendation is now considered closed.
2. The Board Chairman reiterate to Board members the need to thoroughly review policy level actions involving: (a) organizational structure in light of NMC goals and objectives as required by Board policy 1000, and (b) the establishment of faculties or staff as required by Board policy 1009.	NMC	Open Active	In his 8/5/03 response, the NMC President stated that the Board has already initiated review and the entire Board is in the process of updating all policies, section at a time, using a model set of policies recommended by their WASC consultant adapted to the needs of the Commonwealth. OPA was provided a copy of the first section of revised policies which were approved by the Board in its regular June meeting. OPA was not informed, however, on how the Board has reviewed policy level actions involving organizational structure and the establishment of faculties or staff.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. The Board Chairman and the President strongly consider strengthening processes in place for obtaining broader employee involvement in NMC decisions by implementing a policy to address it and thus comply with WASC accreditation standards.	NMC	Resolved Active	<p data-bbox="972 300 1235 323"><i>Further Action Needed</i></p> <p data-bbox="972 365 1414 485">Document for the record how the Board has reviewed policy level actions involving (a) organizational structure, and (b) the establishment of faculties or staff.</p> <p data-bbox="972 527 1414 898">In his response dated 8/5/03, the NMC President stated that Governance is a matter for the WASC accreditation process. Their recent actions will be reviewed during their next self-study and WASC visitation. NMC has also implemented a new approach to governance over the last academic year by establishing a College Governance Assembly and three subordinate councils. The Board has not yet reviewed and updated its current policy on Governance.</p> <p data-bbox="972 932 1235 955"><i>Further Action Needed</i></p> <p data-bbox="972 997 1414 1117">Provide OPA with a copy of the updated policy on Governance addressing employee involvement in NMC decisions upon its adoption.</p>
4. The President (a) document his reorganization with objectives, time-lines, and fiscal impact; (b) identify positions affected; (c) provide a mechanism to assess whether the results have met the redesigned organization's objectives; and (d) identify legal and human resource issues such as compliance with applicable laws, policy, and accreditation standards.	NMC	Resolved Active	<p data-bbox="972 1161 1414 1341">In his response dated 8/5/03, the NMC President stated that these issues will be dealt with through the accreditation process in a timely and appropriate fashion during their upcoming self-study and accreditation visit.</p> <p data-bbox="972 1375 1235 1398"><i>Further Action Needed</i></p> <p data-bbox="972 1440 1414 1717">Provide the Board with documentation that shows: (a) reorganization objectives, time-lines, and fiscal impact; (b) positions affected; (c) a mechanism to assess whether the results have met the redesigned organization's objectives; and (d) legal and human resource issues such as compliance with applicable laws, policy, and accreditation standards.</p>
5. The Board Chairman review with the Board of Regents its policy on	NMC	Resolved Active	In his response dated 8/5/03, the NMC President stated that the Board has

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>reductions-in-force (RIF), and clarify when RIF procedures should apply.</p>			<p>already initiated review and the entire Board is in the process of updating all policies, section at a time, using a model set of policies recommended to them by their WASC consultant adapted to the needs of the Commonwealth. NMC will forward more policies as they are adopted.</p> <p>Further Action Needed</p> <p>Provide OPA with a copy of the updated policy on reductions-in-force (RIF) which should clarify when RIF procedures should apply.</p>
<p>6. The President inquire with the Western Association for Schools and Colleges (WASC) as to whether or not the Administration Procedures Act should apply to NMC; if WASC determines that they should apply, the President should ensure that NMC policies are published as regulations as required by the Administrative Procedures Act; if WASC determines they do not apply, the President should bring this matter to the Board to propose legislation which would exclude NMC from the Act.</p>	NMC	Resolved Active	<p>In the NMC Board of Regent's response prior to issuance of the final audit report, the Board agreed that NMC should follow the Administrative Procedures Act on future actions. In his 8/5/03 response, the NMC President stated that the Board initially approved the first section of revised policies at its regular June meeting. These policies have been reviewed by the Chamorro/Carolinian Language Policy Commission as the initial step in the Administrative Procedures Act and will soon be published. OPA was provided a copy of the first section of revised policies that have already been adopted. NMC will forward more policies as they are adopted.</p> <p>Further Action Needed</p> <p>NMC should provide OPA with a copy of the revised policies published as regulations in the Commonwealth Register.</p>
<p>7. The President seek legal determination as to whether four recent reassignments were made in accordance with Board policy and, if not, take appropriate action to rectify the situation.</p>	NMC	Resolved Active	<p>On 8/5/03, OPA was provided a copy of the legal decision rendered by its attorney dated 5/22/03 as to whether four assignments were made in accordance with Board policy. NMC's attorney ruled that two of the four reassignments violated NMC policy because they were not announced. NMC's attorney also recommended that</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
8. The President seek legal determination as to the legality of employing and compensating staff who have no valid NMC contracts.	NMC	Closed	<p>the Board meet with the President to arrive at a resolution of this violation.</p> <p><i>Further Action Needed</i></p> <p>NMC should inform OPA of appropriate actions taken to rectify the situation.</p>
9. The President seek legal determination as to the legality of compensating individuals no longer working at NMC.	NMC	Closed	<p>On 8/5/03, OPA was provided a copy of the legal decision rendered by its attorney dated 4/23/03 as to the legality of employing and compensating staff who have no valid NMC contracts. NMC's attorney ruled that "NMC performed what it was obligated to do under the legal theories of implicit contract and quasi-contract when it followed the previous executed written employment contracts for its termination without cause". Based on the legal decision rendered, this recommendation is considered closed.</p> <p>On 8/5/03, OPA was provided a copy of the legal decision rendered by its attorney dated 5/22/03 addressing the legality of compensating individuals no longer working at NMC. The decision stated that "continued employment to 11 employees whose employment had been terminated when they were not required to report to work was legal". It further stated that it was a management decision and that it was consistent with prior practices of NMC. Based on the legal decision rendered, this recommendation is considered closed.</p>
10. The President and the Board consult with its legal counsel to determine the effect of the Civil Service Commission's decision on NMC employment status.	NMC	Open Active	<p>In his response dated 8/5/03, the NMC President stated that the Civil Service issue is still pending in the court.</p> <p><i>Further Action Needed</i></p> <p>NMC should provide OPA with the results of the courts decision in reference to the Civil Service issue pending in court.</p>

Northern Mariana Islands Retirement Fund

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

Date(s) of followup letter(s) sent : 8/21/01, 3/5/02, 8/9/02, 2/18/03, 8/4/03

Date(s) of response letter(s) received : 10/4/01 (NMIRF letter of request for extension to respond until 11/3/01), 7/22/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Administrator should instruct the Group Health and Life Insurance Branch (GHLIB) Manager to prepare written guidelines for the review and processing of claims. The guidelines should include specific documentation requirements to justify claims for patients who have been undergoing extended medical treatments.	NMIRF	Closed	In his response dated 7/22/03, the NMIRF Administrator stated that the Board of Trustees has engaged the services of a Third Party Administrator. The contractual responsibilities of the Third Party Administrator include utilization review and processing of medical claims to receive, adjudicate, verify, make payment to, or deny payment of, claims submitted by medical providers. Because previous responsibilities for processing medical claims were transferred to a professional Third Party Administrator, this recommendation is now considered closed.
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	NMIRF	Closed	In his response dated 7/22/03, the NMIRF Administrator stated that the Board of Trustees has engaged the services of a Third Party Administrator who is responsible for utilization review and the processing of medical claims. He further stated that internal control procedures of medical claims processing is part of the Third Party Administrator's role that claims examiner possess the expertise required. Based on the information provided, this recommendation is now considered closed.

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

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

Date(s) of followup letter(s) sent : 3/5/02, 8/9/02, 2/18/03, 8/4/03

Date(s) of response letter(s) received : 7/22/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
The Fund Administrator should take the following steps:			
2. Consistently enforce sanctions or others remedies for travel violations. Travelers with unliquidated advances should be denied additional travel advances; payroll deductions should be immediately implemented for travelers who fail to submit the required travel documents on time; and board members, especially those who are not government employees, should be required to immediately repay outstanding travel advances.	NMIRF	Resolved Active	<p>NMIRF agreed with the recommendation and stated that erroneous and unnecessary travel reimbursements must be collected. The BOT will work with the Administrator towards identifying the travel violations and collecting from the travelers who owe the Fund.</p> <p>On July 22, 2003, the NMIRF Administrator provided OPA with a copy of the memorandum directed to the Fund Comptroller reminding him to strictly enforce the NMIRF Travel Policy that no further travel shall be authorized or permitted for a traveler who has failed to submit the proper vouchers from prior travel, until the vouchers are received and approved by the Administrator, and all outstanding travel advances cleared. He also authorized the Comptroller to deduct from payroll any amounts due from travelers and require Board of Trustees</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. Disallow the practice of using corporate credit cards for payment of hotel and car rentals. Corporate credit cards should be used to guarantee hotel and car reservations only, when and if required by vendors. In addition, a strict credit card policy should be adopted to limit the use of corporate credit cards.</p>	NMIRF	Resolved Active	<p>who are not part of the government payroll to immediately repay the advances when a completed travel voucher is submitted. OPA was not informed, however, of the expected date of when the scheduled overpayments will be collected.</p> <p>Further Actions Needed</p> <p>NMIRF is requested to provide the expected date when the scheduled overpayments will be collected.</p> <p>In his response dated 7/22/03, the NMIRF Administrator stated that NMIRF has a standing policy that “no individual traveler” (staff or Board of Trustees) shall be issued corporate credit cards. The Fund corporate credit card is used only to guarantee hotel and car reservations and for procuring supplies off-island, with appropriate measures taken for authorized personnel to place emergency orders. OPA was not provided, however, with the written policy restricting the use of the corporate credit card.</p> <p>Further Actions Needed</p> <p>NMIRF should provide OPA a copy of the written policies and procedures restricting the use of the corporate credit card.</p>

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

Date(s) of followup letter(s) sent : 1/7/02, 3/5/02, 8/9/02, 9/6/02, 2/18/03, 8/4/03

Date(s) of response letter(s) received : 3/13/02, 7/22/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
The Fund Administrator should instruct the Accounting Manager to:			
1. Formally notify the contractor of the overpayment disclosed by our audit, and make arrangements to recover the overpayment.	NMIRF	Resolved Active	<p>NMIRF officials advised OPA that NMIRF had paid the contractor \$9,697.45 on July 17, 2001 for what it considered its final payment, after making adjustments for billing errors that OPA had identified during the audit. On January 7, 2002, however, OPA determined that the contractor was still overpaid by NMIRF in the amount of \$2,268.24 which consists of (1) double billing of \$991.65; (2) overstatements of \$893.22; and (3) error charges of \$383.37. OPA advised NMIRF to collect the overpayment from the contractor unless documents can be provided to explain the reasons for the overpayment enumerated.</p> <p>In his response dated 7/22/03, the NMIRF Administrator stated that they will be bringing this matter to the Board of Trustees for resolution and provide an update to OPA accordingly.</p> <p>Further Action Needed</p> <p>NMIRF should inform OPA of the results of their discussion with the Board of Trustees regarding the overpayments made to the contractor.</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, 3/11/02, 8/12/02, 2/18/03, 8/1/03

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01), 8/20/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Commissioner of Education should amend the PSSRR to include prohibiting the payment of commuting costs unless the payment is justified by the parties concerned and approved by the Board of Education.	PSS	Resolved Active	On 8/20/03, the PSS Director of Finance provided OPA with a copy of the PSS Legal Counsel's recommended policy to the Board to address payment of commuting costs. In the recommended policy, the Board will authorize the payment of reasonable mileage for Early Childhood, Special Education and Related Services providers for transportation between work sites, excluding commuting costs to and from the provider's home. Actual mileage must be recorded and submitted in monthly reports to the provider's supervisor for review and approval and payment per mile will be determined by PSS. The Commissioner with proper justification may authorize exceptions to this policy subject to the approval of the Board.
			Further Action Needed
			PSS should provide OPA with documentation showing that the policy on payment of commuting costs has been adopted by the Board of Education as recommended by the PSS Legal Counsel.

2.	Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
	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	Resolved Active	On 8/20/03, the PSS Director of Finance provided OPA with a copy of the unsigned memorandum from the Acting Commissioner of Education to all Program Managers, Principals, and other Supervisors reminding them to comply with the requirements of the FLSA and the U.S. Department of Labor Regulations. <i>Further Action Needed</i> PSS should provide OPA with a copy of the signed memorandum from the Acting Commissioner of Education to all Program Managers, Principals, and other Supervisors regarding the Fair Labor Standards Act.

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

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

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01), 8/20/03

4.	Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
	The Commissioner should define what constitutes educational purpose or educational activity and include such definition in its policy manual.	PSS	Closed	On 8/20/03, the PSS Director of Finance provided OPA with a copy of PSS Regulation 3330 wherein Section (b) 3 under Non-Appropriated Funds (Student Activities and Fundraising) defines educational purpose. Based on the copy of regulation provided, this recommendation is now considered closed.

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

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

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01), 8/20/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Commissioner should require the former principal and/or WSR school fund treasurer in SY 1994 to 1995 to reimburse the fund the amount of \$10,959.65 for which they are accountable. If the former custodians refuse to pay back the funds, the matter should be referred to the AGO to enforce collection.	PSS	Resolved Active	The Commissioner in her letter to OPA stated that the PSS Legal Counsel would take immediate action to recover the funds. In his response dated 8/20/03, the PSS Director of Finance stated that the Statute of Limitations has expired as to effective prosecution pertaining to recommendations 2 and 4. <i>Further Action Needed</i> PSS should provide OPA with the written statement or opinion from the PSS Legal Counsel why collection or possible legal action can no longer be pursued.
4. The 50 th Golden Jubilee executive committee should collect the outstanding receivables of \$1,163, representing t-shirts and 50 th Golden Jubilee souvenir items sold on account, and should pay the suppliers of these items the amounts the committee still owes.	WSR 50 th Golden Jubilee Executive Committee	Open Active	

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

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

Date(s) of response letter(s) received : 2/16/01 (request for extension until 3/5/01), 8/20/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Commissioner of Education should enforce compliance with the CNMI property management and accountability policy without exception. The Commissioner should ensure that a physical inventory of the fixed assets of PSS is taken annually, and inventories should be reconciled against recorded balances.	PSS	Resolved Active	In his response dated 8/20/03, the PSS Director of Finance stated that PSS has adopted a policy of capitalizing any single item valued over \$5,000 which are controlled by the Central Office. However, OPA is unable to determine based on the policy that there is adequate physical control. Further Action Needed PSS should provide OPA with samples of the fixed asset subsidiary and control ledgers being maintained at the schools and at the PSS Procurement Office as well as a copy of the written instruction procedures implemented for its annual physical inventory count.
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.	PSS	Open Active	In his response dated 8/20/03, the PSS Director of Finance stated that PSS has adopted a policy of capitalizing any single item valued over \$5,000 which are controlled by the Central Office. However, OPA is unable to determine based on the policy that there is adequate physical control. Further Action Needed PSS should provide OPA with a written policy adopted and disseminated to School Principals and Program Heads for the proper recording and physical control over fixed assets.
3. The Commissioner of Education should direct the PSS	PSS	Closed	In his response dated 8/20/03, the PSS Director of Finance stated that the

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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.			recommendation has been implemented. PSS has hired security guards and has purchased deadbolts. Based on the information provided, this recommendation is now considered closed.

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

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

Date(s) of response letter(s) received : 2/16/01 (PSS request for extension until 3/5/01), 2/16/01(DOF), 5/24/02 (PSS), 8/20/03 (PSS)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. <i>Original:</i> The Secretary of Finance recover from PSS the \$369,866 that was paid from the Trust Fund for the operation of the MHS Food Court. Repayment can be made by offsetting this unlawful payment against future fund allocations for PSS. Any repayment from PSS should be restored to the Trust Fund for possible re-appropriation.</p> <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	Closed	<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>In his response dated 8/20/03, the PSS Director of Finance stated that PSS gave the Department of Finance \$400,000 of its constitutionally mandated budget for FY 2002 and that the alleged discrepancy has been paid in full. OPA was subsequently provided with a copy of the journal entry showing that \$400,000 was reprogrammed by OMB to reduce PSS allotment and transfer the same amount to the Scholarship Program which was noted and signed by the Acting Secretary of Finance. Based on the document provided, his recommendation is</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. The Commissioner of Education issue a memorandum instructing the MHS Principal to stop using the proceeds from the sale of reduced-price meals to pay for non-Food Court expenses. These collections should be used only to pay obligations of the Food Court.</p>	PSS	Resolved Active	<p>considered closed.</p> <p>In his response dated 8/20/03, the PSS Director for Finance stated that all Food Court funds have been deposited in the PSS central bank account for the last two years. These funds can only be spent with the permission of the Food Service.</p> <p>Further Action Needed</p> <p>PSS should provide OPA information showing how food court collections are currently being used.</p>

Tinian Casino Gaming Control Commission

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

Date(s) of followup letter(s) sent : 1/5/00 (AGO), 7/12/00 (AGO), 1/17/01 (AGO), 8/21/01 (AGO), 8/12/02 (AGO), 10/3/02 (AGO), 2/14/03 (AGO), 8/4/03 (AGO), 10/27/03 (AGO)

Date(s) of response letter(s) received : 4/9/99 (TMO), 1/20/00 (AGO), 11/7/00 (meeting with Coordinating Group on AGO), 3/9/01 (AGO), 12/31/01, 2/12/02 (meeting with AGO), 9/15/03 (AGO), 10/31/03 (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>On December 31, 2001, civil action was filed against the consultant to recover overpayment of \$543,375 on grounds of unjust enrichment, conversion, fraud and breach of fiduciary duty. Civil action was also filed against three other individuals to recover \$195,971 for breach of fiduciary trust. Recoverable amounts totaled \$739,346.</p> <p>In a meeting on 2/12/02, this recommendation was included in the list provided by OPA to AGO pertaining to outstanding matters requiring specific actions to be taken by AGO.</p> <p>In his response dated 9/15/03, the Acting Attorney General stated that a search of their files reveal that there are no records of this case in the AGO. On 10/27/03, OPA provided AGO with a copy of the audit report on this case referral.</p> <p>Further Action Needed</p> <p>The AGO should inform OPA of the status of the civil action filed against the consultant and three other individuals.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. Report No. AR-02-02 issued September 11, 2002 Tinian Casino Gaming Control Commission Audit of Travel Transactions Fiscal Years 1996 - 2001</p>			

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

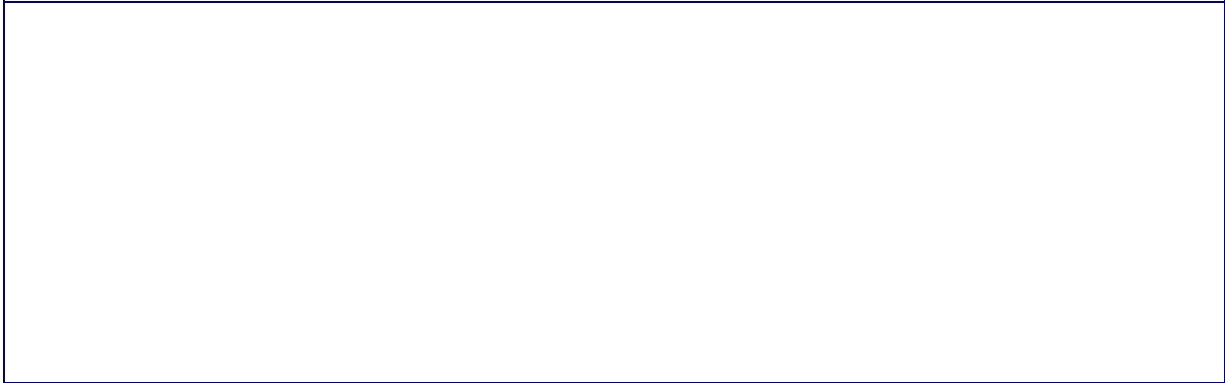
Date(s) of response letter(s) received : 2/21/03, 3/10/03, 3/13/03

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. Recover advances totaling \$406,925 (Appendix A) from the commissioners, officials, and employees unless convincing evidence is submitted showing otherwise. If the commissioners, officials, and employees refuse to repay the funds, the Chairman should request the Attorney General's Office to take legal action against the commissioners, officials, and employees to recover the amount of advances outstanding.</p>	TCGCC	Open Delinquent	<p>The table on page 4 of the report presents five types of exceptions noted and the potentially recoverable amount. The following information or actions are required for each exception in order to consider the recommendation closed:</p> <ol style="list-style-type: none"> 1. No travel voucher submitted - \$107,414 - the Tinian Casino Gaming Control Commission (TCGCC) should present travel vouchers and documents to support claimed expenses. Otherwise, it should collect the advances and present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction. 2. Insufficient supporting documentation - \$247,278- TCGCC should present valid documents to support claimed expenses. Otherwise, it should collect the advances and present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction. <p>After the exit briefing conducted on August 14, 2002, certain travelers provided copies of</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. Establish a subsidiary ledger to account for advances, and use it to recover and monitor travel advances.	TCGCC	Resolved Delinquent	<p>documents evidencing that official trips were performed. Although these documents had not been timely submitted, most of them adequately documented claimed expenses and would reduce exception no. 2 by \$14,672.</p> <p>3. Unallowable discretionary fund expenses - \$15,829 - TCGCC should present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</p> <p>Two travelers concurred that they should pay TCGCC for personal expenses cited by OPA.</p> <p>4. Improper CNMI advances - \$26,808- TCGCC should present evidence of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</p> <p>5. Excessive Per diem - \$9,596- TCGCC should present proof of collection from the traveler such as official receipts or, if applicable, evidence of payroll deduction.</p> <p>On August 16 2002, a traveler provided OPA a copy of official receipt for payment of \$75 excess per diem.</p> <p>Further Actions Needed</p> <p>TCGCC should meet the requirements for each of the five types of exceptions above until the entire amount for each is collected or otherwise satisfactorily explained and justified.</p> <p>In her response dated 3/10/03, the TCGCC Executive Director stated that the Commission is currently working on the subsidiary ledger of travel advances and will forward OPA</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>a copy of the ledger once it is finalized. The establishment of the subsidiary ledger to account for advances was also addressed in the revised and adopted TCGCC Travel Policies and Procedures which was provided to OPA on 2/21/03.</p> <p>Further Action Needed</p> <p>TCGCC should provide OPA a sample of the subsidiary ledger together with the name or position of the staff member responsible for maintaining the subsidiary ledger.</p>

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Washington Representative's Office

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

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

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

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

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

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

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

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

Date(s) of followup letter(s) sent : 8/4/03 (DOF) (DPH) (NAP) (DPW) (GOV) (Medicaid), 9/3/03
(Deloitte Touche Tohmatsu re: Medicaid response)

Date(s) of response letter(s) received : 8/13/03 (Medicaid), 10/31/03 (NAP)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>External Financial Reporting</i>			
1. We recommend that the CNMI conform with GASB Statement No. 14 by obtaining audited financial statements of the above entities for inclusion within the CNMI's general purpose financial statements.	DOF	Unresolved (Outstanding since FY1998 Single Audit)	CNMI component units are required to have audits performed on an annual basis. The Office of the Public Auditor has been working with the autonomous agencies noted to bring their annual audits current. Proposed Completion Date: FY2002
<i>Receivables</i>			
2. We recommend that the CNMI's Department of Finance review all outstanding receivables from federal agencies for propriety and collectibility. All valid receivables should be submitted to the various federal agencies for collection. All other balances should be written off in the General Fund.	DOF - Finance and Accounting Division	Unresolved (Outstanding since FY1997 Single Audit)	We are in the process of reviewing grant receivable balances on our books and adjusting balances that are not valid. The non CIP Federal grant receivable balance was reduced by \$2.2 million from the previous year end. Our analysis indicates that the old grant receivables are mainly the result of grant receipts not being posted to the proper grant year resulting in one year's grant receivable being overstated and the next year understated. We feel the total net adjustment to receivables will be minimal. Proposed Completion Date: FY2002
3. We recommend that CHC implement procedures to ensure that all billings are processed on a timely basis, and that standard procedures be implemented to follow-up on aged accounts.	DPH	Unresolved (Outstanding since FY1995 Single Audit)	DPH agrees with the findings but has made major progress in the past years in correcting the problems. The receivable balance was reduced by \$17.6 million from the previous year. Implementing policies and procedures, as

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>Accounts determined to be uncollectible should be written off.</p>			<p>recommended by the auditors, will help but will not resolve the backlog in the processing of bills or decrease the huge outstanding receivable. The cause of the problem is a combination of inefficiency of the present computer billing system, inadequate FTE's in the Billing and Collection Office, non payment of bills by the Government Health Insurance (GHI) program and inclusion of Medicaid expenditures beyond the annual cap as receivables. Medicaid expenditures above the annual cap represent over one third of the total receivable and GHI represents fifty percent of the remaining outstanding receivable. Improving the computer billing system and resolving the huge outstanding balance with GHI is included as a major task in the CNMI wide Financial Management Improvement Plan. A new faster, larger capacity computer system has been installed and data migration/conversion completed. CHC is now in the process of installing software upgrades for accounts receivable, third party billing, laboratory and pharmacy.</p> <p>No completion date can be projected at this time.</p>
<p>4. We recommend that the CNMI's Department of Finance ensure detailed subsidiary ledgers properly support receivable balances and that receivables are collected in accordance with established repayment plans.</p>	DOF	Unresolved	<p>The \$1,971,831 was booked as audit adjustments by our auditors in Fiscal Years 1996-98, representing Commonwealth Utility Corporation (CUC) assessments for the Office of the Public Auditor, with the offsetting entry to reserve for related assets. The receivable from the Tinian Casino Gaming Control Commission (TCGCC) is also offset by an entry to reserve for related assets. We will transfer the offsetting entries from reserve for related assets to reserve for uncollectible accounts receivable for FY2002.</p> <p>We are discussing with CUC offsetting payables and receivables to each other rather than carrying them on both our books. We expect to complete this in FY2003. There are ongoing discussions with the TCGCC regarding accelerated</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			<p>repayment of the loan. There is no estimate of when it might be fully paid at this time.</p> <p>Proposed Completion Date: FY2002/2003</p>
Inventories			
<p>5. We recommend that CHC establish policies and procedures to ensure timely reconciliation of physical inventory counts with the general ledger.</p>	DPH	<p>Unresolved (Outstanding since FY1994 Single Audit)</p>	<p>The Department of Public Health will furnish the Department of Finance with a copy of the FY2002 actual inventory results along with a covering memo requesting DOF to book the ending balances.</p> <p>Proposed Completion Date: FY2002</p>
Advances			
<p>6. We recommend that the CNMI's Department of Finance ensure that a detailed subsidiary ledger properly supports advances to vendors.</p>	DOF - P&S	Unresolved	<p>We are currently reconciling the advance to vendors and received not vouchered accounts and making adjustments. Even though the expense is posted during the receiving function, it appears that the debit advance amount is not being closed for prepaid items, leaving an offsetting credit open in the received not vouchered account. We are reviewing FMS procurement receiving procedures to determine if modifications need to be made to handle receipt of prepaid items. Reconciliation procedures will be developed to reconcile the advance to vendors and received not vouchered account balances.</p> <p>Proposed Completion Date: FY2003</p>
<p>7. We recommend that the CNMI's Department of Finance review all advances outstanding for more than one year, evaluate their collectibility, and write off any amounts deemed uncollectible. In addition, we recommend that the CNMI's Department of Finance consider payroll deductions as a way of collecting long outstanding</p>	DOF - Finance and Accounting Division	<p>Unresolved (Outstanding since FY1987 Single Audit)</p>	<p>We have implemented automated sub ledgers by traveler for our travel advance accounts. This was completed in FY99. Advance and voucher filing procedures are now being enforced so that new advances are not issued if there are pending outstanding advances. Payroll deductions are being made if vouchers are not filed in a timely manner. We are reviewing and clearing old balances. Outstanding advances</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
advances and that policies and procedures be implemented and enforced requiring the timely liquidation of all travel advances.			<p>were reduced by \$500,000 during FY99 and another \$200,000 in FY2000. FY2001 results show a further drop of \$777,000 in outstanding travel balances. Approximately 50% of the total balance outstanding is reserved against fund balance on the balance sheet.</p> <p>Proposed Completion Date: Already 90% implemented. Remaining adjustments to be completed in FY2002.</p>

Property and Equipment

8. We recommend that the CNMI perform an inventory of its fixed assets as a basis for recording all assets in the General Fixed Assets Account Group.	DOF - P&S	Unresolved (Outstanding since FY1987 Single Audit)	<p>Implementation of the new Fixed Asset module began during FY98 and is continuing. New assets added since that time are being recorded in the system. Existing assets must be inventoried and manually entered into the system. We have been awarded a grant through U.S. Department of the Interior to assist in the implementation and currently are working with a consultant to develop capitalization policies and fully implement the Fixed Asset module. The General Fixed Assets Account Group was adjusted during FY2000 to remove the FY91 completed construction projects as infrastructure is not required to be booked as yet, the records were incomplete and most of the projects booked belonged to proprietary component units. Inventories of each department are to be completed during 2002 and results entered into the Fixed Asset module during 2002.</p> <p>Proposed Completion Date: FY2002</p>
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Other Liabilities and Accruals

9. We recommend that the CNMI's Department of Finance establish policies and procedures to ensure adequate recording of liabilities for goods received by the CNMI's Division of Procurement and Supply.	DOF - P&S	Unresolved (Outstanding since FY1999 Single Audit)	<p>We are reviewing FMS procurement receiving procedures to determine if modifications need to be made to handle receipt of prepaid items. It appears that the debit advance amount may not always be closed for prepaid items leaving an offsetting credit open in the received not vouchered account. We are reviewing and adjusting balances where needed. Reconciliation procedures will</p>
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			be developed to reconcile received not vouchered balances on a monthly basis.
			Proposed Completion Date: FY2002
Fund Balance			
10. We recommend that all ongoing construction projects be monitored and documented by the CNMI's Department of Finance, and that a quarterly report be prepared for the Secretary of Finance.	DOF	Unresolved (Outstanding since FY1997 Single Audit)	The FY97 conversion of remaining appropriation balances for local CIP projects was incorrectly done. We have completed researching the correct remaining balances and have included these balances in our quarterly reporting for FY2001. All FMS corrections should be completed in FY2002.
			Proposed Completion Date: FY2002
CNMI Local Noncompliance			
11. We recommend that the CNMI's Department of Finance ensure that sufficient documentation is obtained and periodically updated to demonstrate compliance with Public Law No. 12-61 requirements.	DOF - Treasury	Unresolved (Outstanding since FY1996 Single Audit)	We are currently working with our banks to simplify collateralization agreements. The current practice of requiring a listing of specific securities requires constant updating of the listings as securities mature or are bought and sold. The State of Hawaii uses a three party agreement between the state, its banks and the bank's depository bank for Federal Reserve clearings that guarantees the amount of securities necessary to collateralize the state's deposits are reserved. We feel this arrangement will conform to the public law and simplify the collateral arrangements for both the bank and the CNMI Government.
			Proposed Completion Date: FY2002
12. We recommend that the CNMI's Department of Finance only authorize expenditures to be incurred in the fiscal year that can be reasonably determined and within budget allotments.	DOF	Unresolved (Outstanding since FY2000 Single Audit)	Public Law 11-41 appropriated \$242,516,000 in expenditures so this was the actual legal spending limit. Total expenditures for FY2001 were \$230 million which approximated total resources for the previous fiscal year. The budget amounts shown were based on a reduced allotment level of \$210 million to control government expenditures recognizing there would be departments and programs that needed additional funding. Available resources

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
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in FY2001 were anticipated to be similar to the previous year and the resources received above the allotment level were to be reprogrammed where needed. The Legislature provided the Governor with 100% reprogramming authority in FY2001, so reprogramming actions by the Governor could be made to cover over expenditure based on P.L. 11-41 appropriations and additional resources above \$210 million.

Unfortunately the 9/11 terrorist attacks devastated the tourism industry and resulted in millions of dollars in lost revenue right at the end of the fiscal year. This combined with the change in administrations a few months later, resulted in the planned reprogramming not being done.

Proposed Completion Date: FY2002

Davis-Bacon Act

<p>13. We recommend that the CNMI ensure that construction projects financed by federal funds be supported by contractor payroll records indicating compliance with the CNMI minimum wage rate. [US Department of Transportation/Highway Planning and Construction/CFDA #20.205]</p>	<p>DPW</p>	<p>Unresolved (Outstanding since FY1997 Single Audit)</p>	<p>DPW procedures require the submission of payroll records with progress billings. The records for the contracts noted in the finding may have been misplaced or overlooked. DPW will reemphasize the importance of proper review and filing procedures with its staff.</p> <p>Proposed Completion Date: FY2003</p>
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Procurement and Suspension and Debarment

<p>14. We recommend that the CNMI comply with the requirements of the Common Rule and the CNMI-PR regarding competitive bidding. [US Department of Agriculture/Nutrition Assistance Program/CFDA #10.551]</p>	<p>NAP</p>	<p>Unresolved</p>	<p>NAP will issue an RFP for these two contracts upon the expiration of the current agreements. The office lease expires in July 2003 and the computer software/hardware lease in March 2003.</p> <p>It should be noted that CNMI Procurement Directors have approved the extensions of both leases based on extensive justifications by NAP over the years. In addition, the Federal funding agency did not object to the continued leases since they met all program requirements.</p>
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Proposed Completion Date: FY2003			
Davis-Bacon Act			
15. We recommend that the CNMI implement formal documented procedures memorializing the monitoring procedures performed, including the results of those procedures and any corrective action taken, to ensure compliance with the above criteria. [Highway Planning and Construction/CFDA #20.205]	DPW	Unresolved (Outstanding since FY1990 Single Audit)	The standard contract language and General Conditions for construction contracts, developed by the CNMI Attorney General's Office, includes all required provisions. DPW requires contractors to submit the wage rates of workers assigned to a job within ten days of the Notice to Proceed. DPW requires submission of payroll records with progress billings for monitoring purposes. As previously noted, since there are no established Davis-Bacon wage rates for the CNMI, U.S. Department of Labor standards are based solely on the CNMI minimum wage. DPW will review and implement applicable documentation procedures.
Proposed Completion Date: FY2003			
16. We recommend that the CNMI's Department of Public Works ensure that TSD performs random interviews of employees at job sites. Furthermore, we recommend that such interviews be properly documented and maintained. [Highway Planning and Construction/CFDA #20.205]	DPW	Unresolved	DPW has established procedures and developed an Employee Personal Interview form to be used for job site employee interviews. Lack of manpower has hampered full implementation of the interview process. Contractor compliance with pay procedures is monitored as described in findings 2001-13 and 15. It should be noted that the CNMI Department of Labor and Immigration also monitors contractor adherence to labor laws and employee contracts and has a formal complaint and hearing process established. The U.S. Department of Labor also monitors and enforces labor laws.
Proposed Completion Date: FY2003			
Cash Management			
17. We recommend that the CNMI monitor payment requests in a timely manner and comply with the Common Rule. [Highway Planning and Construction/CFDA #20.205]	DOF-Treasury	Unresolved	While this appears to be an isolated problem, we are reviewing our drawdown request monitoring procedures to determine if additional controls should be in place to prevent a reoccurrence of this problem.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
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Proposed Completion Date: FY2003

Equipment and Real Property Management

18.	We recommend that the CNMI perform an inventory of its fixed assets and ensure compliance with applicable federal property rules and regulations. [All Federal Programs]	DOF - P&S	Unresolved (Outstanding since FY1987 Single Audit)	Implementation of the new Fixed Asset module began during FY98 and is continuing. New assets added since that time are being recorded in the system. Existing assets must be inventoried and manually entered into the system. We have been awarded a grant through U.S. Department of the Interior to assist in the implementation and currently are working with a consultant to develop capitalization policies and fully implement the Fixed Asset module. The General Fixed Assets Account Group was adjusted during FY2000 to remove the FY91 completed construction projects as infrastructure is not required to be booked as yet, the records were incomplete and most of the projects booked belonged to proprietary component units. Inventories of each department are to be completed during 2002 and results entered into the Fixed Asset module during 2002.
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Proposed Completion Date: FY2002

Procurement and Suspension and Debarment

19.	We recommend that the CNMI ensure that contracts funded by federal grants specify compliance with all applicable federal laws. [Technical Assistance Grants, DOI and Capital Improvement Projects/CFDA #15.875/Highway Planning and Construction/CFDA #20.205]	DPW	Unresolved (Outstanding since FY2000 Single Audit)	The standard contract language and the "General Conditions" for construction contracts, developed by the CNMI Attorney General's Office, are utilized as the contract provisions that include all required and applicable provisions in the Common Rule. DPW tries to file all documents pertaining to each project in an organized filing system as part of its operating procedures. The missing provisions noted are all part of the General Conditions for all contracts. These are sometimes not included with all contract copies or become separated and filed in different locations. We will attempt to locate the missing provisions and provide copies to our auditors.
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Proposed Completion Date: Ongoing

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
20. We recommend that the CNMI properly maintain supporting documentation for contract awards and activities. [Technical Assistance Grants, DOI and Capital Improvement Projects/CFDA #15.875]	DOF - P&S	Unresolved	Despite diligent search of the files of all of the agencies involved in procuring this contract, we have been unable to locate pre-award documents for review and testing by the auditors. However, those involved in the procurement remember the existence of such documents. Proposed Completion Date: Ongoing
Reporting			
21. We recommend that the CNMI's Department of Finance implement procedures that ensure required federal financial reports are filed in a timely manner. [Technical Assistance Grants, DOI and Capital Improvement Projects/CFDA #15.875]	DOF	Unresolved (Outstanding since FY2000 Single Audit)	Late submission of reports occurred because narrative program reports were not received on time from the project managers. Verbal extensions were received over the phone from DOI. Our records indicate the reports stated as missing in the finding are in the file at the CIP Coordinators Office. The SF 269/270 reports are only required at the completion of each project. The format of the quarterly reports submitted is acceptable to DOI as more than one project is being reported under each grant. In DOI's letter of June 25, 2000 regarding the FY98 Single Audit findings (a copy was provided to the auditors), they stated "I would also like to note for the record concerning finding 98-53, that the financial reporting by the CNMI to the Department of the Interior was wholly satisfactory in FY 1998 and remains so to this day." This should document that the grantor agency approves the method of reporting. Proposed Completion Date: Ongoing
22. We recommend that the CIP Status Report be reviewed on a regular basis to ensure updated information is reflected before submission to the grantor and that all transactions are properly supported. [Technical Assistance Grants, DOI and Capital Improvement Projects/CFDA #15.875]	GOV - CIP	Unresolved (Outstanding since FY2000 Single Audit)	Differences occurred due to entries not correctly dated in the FMS or misposting of drawdowns to the wrong account. Correcting entries will be made where needed. In most cases, the differences correct themselves on a cumulative basis. Proposed Completion Date: Ongoing

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
23. We recommend that the CNMI ensure all reporting deadlines are met, in accordance with the Manual of Operations Section IX. [Nutrition Assistance Program/CFDA #10.551]	NAP	Unresolved	<p>NAP agrees with the finding. As noted in the finding cause, inadequate manpower, high turnover and a significant increase in the number of NAP participants were the factors resulting in reporting deadlines being missed and an increase in the error rate. The funding agency provided for two additional staff but high turnover resulted in continued under staffing during the fiscal year. Full staffing was not achieved until August 2002.</p> <p>Proposed Completion Date: FY2003</p>
24. We recommend that the CNMI establish policies and procedures to ensure all reporting requirements are met. [Nutrition Assistance Program/CFDA #10.551]	DOF - Finance and Accounting Division	Unresolved	<p>We will make every effort to insure required reports are submitted in a timely manner. In the cases cited in the finding, extensions were requested from and approved via email by the grantor agency. Reports were submitted within the extension time granted. The email approvals are in the grant file folder except for first quarter which we were unable to locate.</p> <p>Proposed Completion Date: FY2002</p>
25. We recommend that the PMS 272 report be submitted on or before the deadline. [Medical Assistance Program/CFDA #93.778]	DOF - Finance and Accounting Division	Unresolved	<p>We will make every effort to insure required reports are submitted in a timely manner. In the cases cited in the finding, a problem accessing the grant in the PMS system resulted in delays in submitting the first and second quarter reports. E-mails relating to this problem are in the grant file.</p> <p>Proposed Completion Date: FY2002</p>

Special Tests and Provisions

26. We recommend that the CNMI Medicaid program establish policies and procedures to ensure payments are made to valid medical services providers. Additionally, we recommend such agreements be properly maintained on file. [Medical Assistance Program/CFDA #93.778]	Medicaid	Unresolved (Outstanding since FY2000 Single Audit)	<p>The two agreements we cannot locate copies of are with long time providers in Hawaii. We have requested copies through our Honolulu medical referral office but have not received the copies as yet.</p> <p>Proposed Completion Date: FY2002</p>
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
27. We recommend that the CNMI establish policies and procedures to provide efficient processing of Medicaid premiums and ensure payment requirements are adhered to. [Medical Assistance Program/CFDA #93.778]	Medicaid	Unresolved	<p>We are uncertain why the delay in reaching the bank occurred. As noted in the finding criteria, payments made by the 25th of the month fall within the grace period. The March and July checks were dated in time to meet the deadline but were not received by the Bank until a week later which resulted in the payments being 7 and 2 days late respectively. The October check was issued and received by the bank on November 7, 13 days past the due date. According to our records, all FY2002 Medicare insurance checks were issued prior to the due date. The Medicaid Office h submitted the billings to the Department of Finance on a timely basis.</p> <p>Proposed Completion Date: FY2002</p>
28. We recommend that the Medicaid Agency ensure that all off-island care authorizations be properly filed and maintained. [Medical Assistance Program/CFDA #93.778]	Medicaid	Unresolved	<p>We provided copies of authorization letters to our auditors for all but 4 of the selected referrals. The Medical Referral Office could not locate three of the letters at the time of this response and could not release one letter as it contained the patient's medical history.</p> <p>Proposed Completion Date: FY2002</p>
29. We recommend that the CNMI ensure that NAP Authorized Retailers are in compliance with all eligibility requirements. If certain requirements may not be met, the grantor agency should be consulted. [Nutrition Assistance Program/CFDA #10.551]	NAP	Unresolved	<p>NAP will insure applicants are in compliance with all eligibility requirements. The delay in processing one retailer application occurred due to the application being incomplete and requests by the retailer for additional time to submit complete documents. Original application should have been voided and new complete one submitted rather than updating old one.</p> <p>The current Manual of Operations allows the 10% local food products rule to be waived at NAP's discretion for good causes. Rota and Tinian retailers have a difficult time selling local fish and produce as most families are engaged in fishing and farming and buy few of these products from the stores. In addition, the requirement may be waived if there are no other authorized NAP retailers in close proximity to a</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			<p>significant population of clients.</p> <p>Proposed Completion Date: FY2002</p>

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

Date(s) of followup letter(s) sent : 3/5/02 (DPW), 3/8/02 (DPH), 3/12/02 (DOF), 8/9/02 (DPH) (DPW), 8/12/02 (MPLA) (DOF), 9/30/02 (Independent Auditor re: MPLA/DPW Response), 2/12/03 (DPW) (DPH), 2/18/03 (DOF), 8/4/03 (DOF) (MPLA) (GOV) (DPW) (DPH) (Medicaid), 9/3/03 (Deloitte Touche Tohmatsu re: Medicaid response)

Date(s) of response letter(s) received : 3/27/02 (DOF request for extension), 8/30/02 (DPW verbal request for extension), 9/17/02 (DPW), 9/24/02 (MPLA), 2/26/03 (DPW), 3/10/03 (MPLA), 8/13/03 (Medicaid)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>External Financial Reporting</i>			
1. The CNMI should conform to GASB Statement No. 14 by obtaining audited financial statements of the Commonwealth Government Employees Credit Union (CGECU), the Commonwealth Utilities Corporation (CUC), the Northern Marianas College (NMC), and the Public School System (PSS) for inclusion within the general purpose financial statements.	DOF	Unresolved (Outstanding since FY 1998 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-1
<i>Cash and Cash Equivalents</i>			
2. DOF should reconcile all bank accounts to the general ledger on a monthly basis, and the resulting adjustments should be recorded in a timely manner.	DOF - Finance and Accounting Division	Resolved	Per status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.
<i>Receivables</i>			
3. DOF should review all outstanding receivables from federal agencies for propriety and collectibility. All valid receivables should be submitted to the various federal grantor agencies for collection of the amounts owed to the CNMI. All other balances should be written off to the General Fund.	DOF - Finance and Accounting Division	Unresolved (Outstanding since FY 1997 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-2.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
4. CHC should implement procedures to ensure that all billings are processed on a timely basis, and that standard procedures are implemented to follow-up on aged accounts. Accounts determined to be uncollectible should be written off.	DPH - CHC	Unresolved (Outstanding since FY 1995 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-3.
5. The Division of Public Lands (DPL) should review receivable balances and forward overdue accounts to the Attorney General's office for collection. Monthly billings should be prepared on a regular basis to ensure recognition of revenue and receivables on a timely basis.	DPL (currently Marianas Public Lands Authority)	Resolved	Per status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.

Inventory

6. CHC should establish policies and procedures to ensure timely reconciliation of the physical inventory count to the general ledger inventory balances.	DPH - CHC	Unresolved (Outstanding since FY 1994 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-5.
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Advances

7. DOF should review all advances outstanding for more than one year, evaluate their collectibility, and write off any amounts deemed uncollectible. Policies and procedures requiring the timely liquidation of all travel advances should be implemented and enforced.	DOF - Finance and Accounting Division	Unresolved (Outstanding since FY 1987 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-7.
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Property and Equipment

8. The CNMI should perform an inventory of its fixed assets as a basis for recording all assets in the General Fixed Assets Account Group.	DOF - Finance and Accounting Division	Unresolved (Outstanding since FY 1987 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-8.
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Other Liabilities and Accruals

9. DOF should establish policies and	DOF -	Unresolved	Not corrected. See corrective action plan
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
procedures to ensure adequate recording of liabilities for goods received by the CNMI's Division of Procurement and Supply.	P&S	(Outstanding since FY1999 Single Audit)	to Finding No. 2001-9.
Fund Balance			
10. DOF should monitor and document all ongoing construction projects and a report should be prepared for the Secretary of Finance on a quarterly basis.	DOF	Unresolved (Outstanding since FY1997 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-10.
CNMI Local Noncompliance			
11. DOF should ensure that sufficient documentation is obtained and periodically updated to demonstrate full compliance with the requirements of public laws.	DOF - Treasury	Unresolved (Outstanding since FY1996 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-11.
12. DPL should comply with Public Law 11-64 and remit landing fees collected to the Secretary of Finance for deposit to the special sub-account.	DPL (currently Marianas Public Lands Authority)	Resolved	Per status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.
13. DOF should only authorize expenditures within budget allotments. Furthermore, the CNMI Legislature's budget should reflect all expenditures to be incurred in the fiscal year that can be reasonably determined.	DOF	Unresolved	Not corrected. See corrective action plan to Finding No. 2001-12.
Davis-Bacon Act			
14. The CNMI should ensure that construction projects financed by federal funds are supported by contractor payroll records indicating compliance with the CNMI minimum wage rate. [US Department of Interior/Sports Fish Restoration/CFDA #15.605/ US Department of Transportation/ Highway Planning and Construction/CFDA #20.205]	DPW - TSD	Unresolved (Outstanding since FY1997 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-13.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
15. The CNMI should implement formal documentation procedures to memorialize the monitoring procedures performed, including the results of those procedures and any corrective actions taken, to ensure compliance with the above criteria. [Highway Planning and Construction, CFDA #20.205/Sports Fish Restoration, CFDA #15.605]	DPW - TSD	Unresolved (Outstanding since FY1990 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-15.

Equipment and Real Property Management

16. 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 Federal Programs]	DOF - P&S	Unresolved (Outstanding since FY1987 Single Audit)	Not corrected. See corrective action plan to Finding No. 2001-18.
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Procurement, Suspension and Debarment

17. The CNMI should ensure that contracts funded by federal grants specify compliance with all applicable federal laws. [Sports Fish Restoration/CFDA #15.605]	DPW	Unresolved	Not corrected. See corrective action plan to Finding No. 2001-19.
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Reporting

18. The CNMI-DOF should implement procedures to ensure that all required federal financial reports are filed in a timely manner. [Technical Assistance Grants and DOI and Covenant Capital Projects/CFDA #15.875]	DOF	Unresolved	Not corrected. See corrective action plan to Finding No. 2001-21.
19. The CIP Status Reports should be reviewed on a regular basis to ensure that updated information is reflected before submission to the grantor. [DOI and Covenant Capital Projects/CFDA #15.875]	GOV- CIP	Unresolved	Not corrected. See corrective action plan to Finding No. 2001-22.
20. The CNMI-DOF should implement procedures to ensure that all federal financial reports are filed in a timely manner. [Sports Fish Restoration/CFDA	DOF - Finance and Accounting Division	Resolved	Per status of audit finding included in the FY 2001 Single Audit report, corrective action was taken.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
#15.605]			
21. Medicaid should scrutinize its written agreements with service providers. If errors are subsequently discovered, efforts should be made to amend or rectify them . [Medicaid Assistance Program/CFDA #93.778]	Medicaid	Unresolved	Not corrected. See corrective action plan to Finding No. 2001-26.

Commonwealth Development Authority

**I. Annual Financial & Compliance Audit
in Accordance with OMB-A-133
Fiscal Year Ended September 30, 2002
By: Deloitte Touche Tohmatsu**

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

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

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Receivables</i>			
1. CDA should ensure that follow-up procedures on past-due loans are adhered to. Legal action should be considered for those loans which are considered unlikely to be serviceable by the borrower.	CDA	Unresolved (Outstanding since FY 1994 Single Audit)	CDA shares the auditors' concerns particularly after the events of September 11 th . Prior to these events, CDA had enjoyed a better year both in collections and in the required reserve for delinquencies. Unfortunately following these events the loan portfolio did experience a decline, leading to the current audited loss reserve figure. CDA does however question whether mass foreclosures would resolve the current delinquency concerns or provide additional funds to CDA. The staff and Board of Directors of CDA are exploring alternatives, including appropriate legal action to help resolve this situation. However, full recovery has and will be dependent upon the improvement of the overall economy.
<i>Reporting</i>			
2. NMHC should communicate with HUD the improper formula embedded in the TRACS system and ensure tenants properly approve the monthly rent [Lower Income Housing Assistance Program, CFDA #14.856].	NMHC	Unresolved	NMHC concurs with this finding. Review of formal documents will be intensified to insure that regardless of the software calculations, the proper amount is used in the documents.
3. Management should ensure proper reporting of SF-272's to HUD [Community Development Block Grants, CFDA #14.219].	NMHC	Unresolved (Outstanding since FY 2000 Single Audit)	NMHC concurs with this finding. However, the basic problem relates to the due date of the report being only 15 days after the end of the quarter. Mail delivery of bank statements and other

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
4. Management should ensure proper reporting of expenditures on SF-272's to HUD.	NMHC	Unresolved	cut-off data can take a substantial period of time. NMHC currently has advised its cut-off dates and is hopeful that this finding will not reoccur. However, if this additional effort is not effective, NMHC will consult with the auditors and HUD to determine if a cash basis of accounting for the proceeds would be more effective. Adjustments could then be booked in the following quarter. This would allow the general ledger and the SF-272 to be in agreement.
			NMHC concurs with this finding. Although the funds transferred were qualified for use as administrative expense, NMHC did not follow proper procedure. NMHC will take appropriate action to avoid the problem in the future.

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

Date(s) of followup letter(s) sent : 3/5/02, 8/9/02 (Independent Auditor re: CDA response), 9/10/02 (CDA re: Independent Auditor response), 2/18/03, 8/14/03, 9/3/03 (Deloitte Touche Tohmatsu re: CDA response)

Date(s) of response letter(s) received : 3/11/02, 5/28/02, 5/31/02, 8/13/02 (Independent Auditor), 8/21/03

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. CDA should ensure that follow-up procedures on past-due loans are adhered to. Legal action should be considered for those loans which are considered unlikely to be serviceable by the borrower.	CDA	Unresolved (Outstanding since FY1994 Single Audit)	Not corrected. See corrective action plan to Finding No. 2002-1.
2. CDA should review instances of noncompliance with the requirements of the <i>Policies and Regulations for the Microloan</i>	CDA	Resolved	Per status of audit finding included in the FY2002 Single Audit Report, corrective action has been taken.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p><i>Program Fund</i> (the manual) and determine if corrective action is necessary. CDA should also comply with the manual's requirements.</p>			
<p>3. NMHC should ensure that restricted asset balances are accurately and fully maintained.</p>	NMHC	Resolved	Per status of audit finding included in the FY2002 Single Audit Report, corrective action has been taken.
<p>4. NMHC should review the monthly reports and ensure that current tenants living in units and assistance amounts are properly reported in the monthly request for HUD assistance [Lower Income Housing Assistance Program - CFDA #14.856].</p>	NMHC	Resolved	Per status of audit finding included in the FY2002 Single Audit Report, corrective action has been taken.
<p>5. CDA should ensure proper reporting of SF-272's to HUD [Community Development Block Grants - CFDA #14.225].</p>	NMHC	Unresolved (Outstanding since FY2000 Single Audit)	Not corrected. See corrective action plan to Finding No. 2002-3.

Commonwealth Government Employees Credit Union

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

Date(s) of followup letter(s) sent : 7/12/00, 1/22/01, 8/23/01, 3/5/02, 8/9/02, 2/12/03, 8/4/03

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

	Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1.	CGECU should ensure that the general ledger balances for loans and deposits are reconciled with the subsidiary ledgers on a periodic basis.	CGECU	Unresolved (Outstanding since FY 1995 Single Audit)	The Credit Union will replace the software with a more advanced one that will produce accurate daily, monthly and yearly reports. With these type of reports, subsidiary ledgers can easily be balanced with the general ledger.
2.	CGECU should reconcile the general ledger with the subsidiary ledger on a monthly basis after all audit adjustments for FY 1997 are posted.	CGECU	Unresolved (Outstanding since FY 1995 Single Audit)	With the new software, CGCEU will be able to printout accrued interest receivable on loans with payments not sufficient to cover interest accrued through the end of the month. The general ledger balance will be reconciled with the loan trial balance on a monthly basis.
3.	CGCEU should follow the guidance in FASB Statement No. 91, and should amortize deferred loan fees into income as an adjustment of interest income.	CGCEU	Unresolved	With the help from an accounting firm staff, CGCEU has complied with Financial Accounting Standard Board (FASB) Statement No. 91 for the year 1998 and will continue to comply with this statement.

Commonwealth Ports Authority

**I. Annual Financial & Compliance Audit
in Accordance with OMB-A-I33
Fiscal Year Ended September 30, 2002
By: Deloitte Touche Tohmatsu**

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

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

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. CPA should review all revenue generating sources to ensure amounts collected will be sufficient to meet requirements of Section 6.11.	CPA	Unresolved (Outstanding since FY2001 Single Audit)	CPA shall retain the services of a nationally recognized Independent Financial Consultant to review all revenue generating sources to ensure that revenues collected at the airport and seaport should be sufficient to meet the requirements of Section 6.11.

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

Date(s) of followup letter(s) sent : 8/9/02, 9/5/02 (Independent Auditor re: CPA response), 9/10/02 (CPA re: Independent Auditor response), 2/14/03, 8/4/03

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

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
1. CPA management should implement procedures to notify the accounting department of substantial completion of construction projects. Such procedures should involve an internal document, separate from the construction manager's official certification of completeness, to notify the accounting department that certain assets are in place and in use	CPA	Resolved	Per status of audit finding included in FY2002 Single Audit report, corrective action has been taken.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
and should be depreciated. CPA should review completed projects and CIP accounts to properly allocate capitalizable interest.			
2. CPA should monitor its insurance coverage for the Airport facilities to prevent potential losses and to comply with bond covenants.	CPA	Resolved	Per status of audit finding included in FY2002 Single Audit report, corrective action has been taken.
3. CPA should review all revenue generating sources to ensure that amounts collected will be sufficient to meet the requirements of the Seaport Bond Indenture Agreement.	CPA	Unresolved	Not corrected. See corrective action plan to Finding No. 2002-1.

Commonwealth Utilities Corporation

**I. Annual Financial & Compliance Audit
in Accordance with OMB-A-I33
Fiscal Year Ended September 30, 1998
By: Deloitte Touche Tohmatsu**

Date(s) of followup letter(s) sent : 7/11/00, 1/18/01, 8/20/01, 3/4/02, 8/12/02, 2/14/03, 9/2/03

Date(s) of response letter(s) received : 9/5/02, 10/17/03

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

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which CUC has assets.			Administrative Hearings Officer who, in conjunction with the Legal Counsel, is responsible for resolving landowner easement claims against CUC. Negotiations are currently underway with several landowners. When appropriate, CUC will enter into formal agreements with the landowners for the use of their land.
3. We recommend that CUC implement policies and procedures to ensure the timely follow-up and collection of balances due.	CUC	Unresolved (Outstanding since FY 1994 Single Audit)	CUC partially agrees with the finding. The Internal Auditor is responsible for periodically monitoring delinquent accounts receivable and the credit and collection functions to ensure that these accounts are disconnected in accordance with CUC Rules and Regulations. However, some of the accounts selected for verification were under dispute due to billing errors and easement claims and, accordingly, were not disconnected.
4. We recommend that billing rates be entered accurately, and assigned customer rates be reviewed periodically to ensure the appropriate rate is applied.	CUC	Unresolved	This finding pertains to the billing of water revenues earned on residential and commercial customer accounts and is the same as Finding No. 98-1 except that the latter pertains to the billing of both electric and water revenues earned on commercial customer accounts. Refer to comments for Finding No. 98-1 for corrective action plan. Further, in fiscal year 2000, CUC will undertake a review of all customer accounts to determine if the assigned customer rate for water is entered correctly.
5. We recommend that management ensure strict adherence to procurement policies and procedures.	CUC	Unresolved	CUC partially agrees with the finding. In emergency situations, some of which occur outside normal business hours, CUC is required to take immediate action to procure goods and services in order to minimize any interruption of essential services to the public. In these situations, the Executive

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
6. We recommend that all non-emergency overtime be pre-approved and appropriately documented.	CUC	Unresolved (Outstanding since FY 1996 Single Audit)	Director and/or Comptroller verbally pre-approve these procurement actions. CUC agrees with the finding. Division managers and supervisors were reminded of CUC Policies and Procedures that state the Executive Director and Comptroller will deny all non-emergency overtime that is not pre-approved.
7. We recommend that CUC implement a system whereby a receivable/payable account records all cash received from the grantor agency and records all related expenditures. The account should be reconciled on a monthly basis to the Schedule of Expenditures of Federal Awards. Additionally, we recommend that expenditures of the Schedule of Expenditures of Federal Awards be reconciled to contributed capital accounts on a timely basis.	CUC	Unresolved (Outstanding since FY 1990 Single Audit)	CUC agrees with the finding. CUC has improved the procedures for accounting for grants. Members of the Comptroller's office, accounting section, work closely with the Grants Manager who in turn coordinates with the CNMI Federal Programs Coordinator to track all amounts due and received from grantor agencies and to ensure that related expenditures are recorded. The accounting section is now reconciling grant receivables, payables, expenditures, and contributed capital on a monthly basis.
8. We recommend that a reconciliation procedure be implemented between the records of the Federal Programs Coordinator and the Comptroller's office on a quarterly basis to ensure completeness of recording of projects in the general ledger.	CUC	Unresolved (Outstanding since FY 1997 Single Audit)	CUC agrees with the finding. As mentioned in the response to Finding No. 98-7, the Comptroller's office, accounting section, works closely with the Grants Manager regarding all aspects of accounting for grants to ensure that all contributed assets and capital are properly recorded.
9. We recommend that CUC reconcile the balance due from the CNMI with appropriate CNMI officials and record any necessary adjustments.	CUC	Unresolved (Outstanding since FY 1995 Single Audit)	CUC agrees with the finding. Corrective action is underway. In conjunction with CNMI officials, CUC is reconciling the balance due from the CNMI to the government's balance. When completed, the general ledger and chief accountants will review all reconciling items and prepare appropriate adjustments. The Comptroller or Assistant

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
10. We recommend that all long outstanding balances that are included in these accounts as of September 30, 1998 be reviewed and expensed where necessary. We also recommend that these accounts be reviewed on a monthly basis.	CUC	Unresolved (Outstanding since FY1993 Single Audit)	Comptroller will approve all adjustments prior to entry in the accounting system. CUC partially agrees with the finding. On a monthly basis, CUC reviews the prepayment and travel advance accounts and reconciles the account balances to the general ledger. In an effort to reduce other receivables that were recorded over one year ago, CUC is (1) expending unrecoverable amounts from prior periods and (2) referring amounts to the Attorney General's Office for collection.
11. We recommend that final inventory listings reflect the quantities of items counted at balance sheet date.	CUC	Unresolved (Outstanding since FY1994 Single Audit)	CUC agrees with this finding. CUC instituted procedures to ensure that the count and inventory match. On a daily basis, procurement and warehouse personnel record receipts and issues in the OrCom system. Semiannually, the same personnel make two complete physical counts of the inventory and reconcile the counts to the amounts in the system. CUC's recent experience with this procedure has been positive.
12. We recommend that CUC reconcile its inventory listing to cost documentation.	CUC	Unresolved (Outstanding since FY1996 Single Audit)	CUC agrees with the finding. As mentioned in response to audit Finding No. 98-11, CUC implemented procedures to ensure that the count and inventory match. This should preclude inventory items from having negative overall values.
13. We recommend that CUC retain supporting invoices or other appropriate documentation to substantiate inventory cost, and completely overhaul the parts inventory system to prevent further errors.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	CUC partially agrees with the finding. The current system for filing invoices has proven adequate. Prior to approving a payment, the original invoice and applicable supporting documents (receiving report, purchase order or contract, request for requisition or acquisition justification, price quotes, etc.) are attached to an

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>14. We recommend that CUC implement appropriate procedures to restrict access to inventory items and to keep accurate records of all inventory items issued.</p>	CUC	<p>Unresolved (Outstanding since FY1996 Single Audit)</p>	<p>accounts payable voucher. After payment, the voucher and all supporting documents are filed with Accounts Payable. However, many vendors require prepayment for the goods or services requested. In these cases, invoices are not available at the time of payment. CUC will examine its prepayment procedures to see what improvements might be made to ensure that invoices, when received, are filed with all applicable supporting documents. CUC's inventory system uses the average cost method for valuing inventory items on hand as of the balance sheet date. Further, freight may be allocated to the cost of the items. Thus, the invoice cost for an item may not agree with the cost used in the inventory extensions.</p> <p>CUC agrees with the finding. Procurement and Supply was instructed to implement procedures restricting access to all storerooms to only warehouse personnel. In addition, warehouse personnel were instructed to follow CUC Policies and Procedures that require the preparation of receiving reports and inventory issue, return, salvage, and scrap forms for all items received and issued.</p>
<p>15. We recommend that proper construction work-in-progress records be maintained.</p>	CUC	<p>Unresolved (Outstanding since FY1988 Single Audit)</p>	<p>CUC agrees with the finding. CUC has installed computerized systems for work orders and continuing property records and trained CUC personnel on how to use the systems. These systems should help ensure that all materials and labor relating to capital projects will be attributed to the appropriate project. Further, the fixed asset accountant is responsible for reconciling the construction work in progress accounts to the work order system</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
16. We recommend that CUC perform a physical inventory of all fixed assets on hand, agree the count with its records and make necessary adjustments. Additionally, we recommend that CUC implement a system of tagging fixed assets and perform periodic counts to ensure existence.	CUC	Unresolved (Outstanding since FY 1988 Single Audit)	<p>to ensure that the materials used for capital projects are identified and charged to the appropriate project. In addition, work orders are being adjusted monthly to reflect the correct materials, labor, and overhead used on each work order to ensure the accuracy of CUC's current job costing system.</p> <p>CUC agrees with the finding. As part of the Partnership Agreement between the CNMI government and U.S. Department of the Interior, CUC will undertake an appraisal of all its fixed assets. When completed, CUC will adjust the applicable asset and capitalization accounts. As mentioned in response to audit Finding No. 98-15, the work order and continuing property records systems were upgraded. In addition, procurement personnel are tagging and performing periodic counts of fixed assets.</p>
17. We recommend that the fixed asset register be reconciled to the general ledger on a monthly basis.	CUC	Unresolved (Outstanding since FY 1997 Single Audit)	<p>CUC agrees with the finding. In February 1999, the Comptroller's Office, accounting section, reconciled the utility plant general ledger balances to the detailed fixed asset register. Adjusting entries were made and since then, the utility plant balances are reconciled monthly to the fixed asset register. The reported condition was due primarily to the posting of manual entries to close construction work in progress and update utility plant general ledger balances but not the detailed fixed asset register.</p>
18. We recommend that CUC implement a policy with respect to required insurance coverage levels.	CUC	Unresolved (Outstanding since FY 1989 Single Audit)	<p>CUC agrees with the finding. CUC is exploring sources and evaluating cost proposals for obtaining insurance coverage for its fixed assets. As stated in response to audit Finding No. 98-16, CUC will have its assets appraised. When completed, CUC</p>

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19. We recommend that CUC review its system of record keeping and establish policies and procedures to ensure that utility service applications are appropriately maintained.	CUC	Unresolved	and the potential insurance brokers will be in a better position to determine the types and amounts of coverage best suited for CUC.
20. We recommend implementation of appropriate policies and procedures to ensure recording of all liabilities in the appropriate fiscal year.	CUC	Unresolved	CUC agrees with the finding. For fiscal year 1999, the Comptroller's Office, accounting section, monitored accounts payable received during the first three months of fiscal year 2000 to ensure that all payables were recorded in the proper fiscal year. Thus, we believe that all material liabilities for fiscal year 1999 were recorded properly.
21. We recommend that CUC and CDA come to an agreement regarding the precise nature of this transaction and document such an agreement accordingly.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	CUC agrees with the finding. In May 1996, the Board of Directors passed a motion to recognize as a loan the payments by CDA to a creditor of CUC. Once the terms and conditions of the loan re agreed upon, CDA and CUC will enter into a promissory note agreement.
22. We recommend that a separate reserve account be established to account for both the 15 cents per gallon set aside, and the related	CUC	Unresolved (Outstanding since FY1997 Single Audit)	CUC agrees with the finding. Although a special reserve account for balance sheet reporting purposes was not established,

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
expenditures.			CUC is tracking the amount of revenues required to be set aside and the expenditures for allowable purposes. Revenues and expenditures are approximately equal. Thus, there is no reserve to report.
23. We recommend that all amounts requested for reimbursement be adequately supported [CFDA #83.544].	CUC	Unresolved	CUC partially agrees. All costs requested for reimbursement were supported by adequate documentation. It was clerical errors that were made but not caught in the review process that resulted in CUC requesting \$186 in excess of the amounts expended.
24. We recommend that all progress billings be accompanied by appropriately approved stage of completion documentation [CFDA #15.875].	CUC	Unresolved	CUC agrees. In the future, all requests for payment will be signed by the Executive Director and include certification as to the stage of completion of the project.

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

Date(s) of followup letter(s) sent : 9/2/03
Date(s) of response letter(s) received : 10/17/03

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

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
7. We recommend that reconciliation procedures be implemented between the records of the Federal Programs Coordinator and the Comptroller's office on a quarterly basis to ensure completeness of recording of projects in the general ledger.	CUC	Unresolved	Not corrected. See corrective action plan to Finding 98-8.
8. We recommend that CUC reconcile the balance due from the CNMI with appropriate CNMI officials and record any necessary adjustments.	CUC	Unresolved (Outstanding since FY 1995 Single Audit)	Not corrected. See corrective action plan to Finding 98-9.
9. We recommend that all long outstanding balances that are included in these accounts as of September 30, 1997 be reviewed and expensed where necessary. We also recommend that these accounts be reviewed on a monthly basis.	CUC	Unresolved (Outstanding since FY 1993 Single Audit)	Not corrected. See corrective action plan to Finding 98-10.
10. We recommend that final inventory listings reflect the quantities of items counted at balance sheet date.	CUC	Unresolved (Outstanding since FY 1994 Single Audit)	Not corrected. See corrective action plan to Finding 98-11.
11. We recommend that CUC reconcile its inventory listing to cost documentation.	CUC	Unresolved (Outstanding since FY 1996 Single Audit)	Not corrected. See corrective action plan to Finding 98-12.
12. We recommend that CUC retain supporting invoices or other appropriate documentation to substantiate inventory cost, and completely overhaul the parts inventory system to prevent further errors.	CUC	Unresolved (Outstanding since FY 1995 Single Audit)	Not corrected. See corrective action plan to Finding 98-13.
13. We recommend that CUC implement appropriate procedures to restrict access to inventory items and to keep accurate records of all inventory items issued.	CUC	Unresolved (Outstanding since FY 1996 Single Audit)	Not corrected. See corrective action plan to Finding 98-14.
14. We recommend that a job costing system be implemented to ensure that all materials and labor relating to capital projects can be specifically attributed to that project.	CUC	Unresolved (Outstanding since FY 1988 Single Audit)	Not corrected. See corrective action plan to Finding 98-15.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
15. We recommend that CUC perform a physical inventory of all fixed assets on hand, agree the count with its records and make necessary adjustments. Additionally, we recommend that CUC implement a system of tagging fixed assets and perform periodic counts to ensure existence.	CUC	Unresolved (Outstanding since FY1988 Single Audit)	Not corrected. See corrective action plan to Finding 98-16.
16. We recommend that CUC implement a procedure ensuring that project completion notifications are completed on a timely basis by project engineers and forwarded to the accounting division for proper recording. We also recommend that such a project completion notification include an estimate of the completed asset's useful life to assist accounting personnel in proper capitalization of the asset.	CUC	Resolved	Per status of audit finding included in FY1998 Single Audit report, corrective action was taken.
17. We recommend that the fixed asset register be reconciled to the general ledger on a monthly basis.	CUC	Unresolved	Not corrected. See corrective action plan to Finding 98-17.
18. We recommend that CUC implement a policy with respect to required insurance coverage levels.	CUC	Unresolved (Outstanding since FY1989 Single Audit)	Not corrected. See corrective action plan to Finding 98-18.
19. We recommend that CUC and CDA come to an agreement regarding the precise nature of this transaction and document such an agreement accordingly.	CUC	Unresolved (Outstanding since FY1995 Single Audit)	Not corrected. See corrective action plan to Finding 98-21.
20. We recommend that all change orders be approved prior to additional work being performed [CFDA #15.875].	CUC	Resolved	Per status of audit finding included in FY1998 Single Audit report, corrective action was taken.
21. We recommend that a separate reserve account be established to account for both the 15 cent per gallon set aside, and the related expenditures.	CUC	Unresolved	Not corrected. See corrective action plan to Finding 98-22

Marianas Public Lands Authority

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

Date(s) of followup letter(s) sent : 2/14/03, 3/13/03 (Independent Auditor), 8/4/03

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

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

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

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

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

Northern Marianas College

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

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

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

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Fixed Assets</i>			
1. NMC should adhere to established policies and procedures on capitalization of fixed assets. Further, NMC should perform periodic physical inventories of fixed assets and update the Plant Fund balances accordingly.	NMC	Unresolved	We concur with the finding that a physical inventory of fixed assets be performed and reconciled to the schedule of fixed assets. The Procurement and Property Management Office initiated a physical inventory count of assets at the end of fiscal year 2001 but it was not completed due to the lack of sufficient staff in that office. The schedule of fixed assets is currently prepared using a spreadsheet program, which requires manual compilation, computation, and posting of asset purchases and depreciation to the general ledger. The college is researching the purchase and use of a fixed asset module and a property management module to its fund accounting software system. The two modules would enable NMC to track all assets of the institution, including the computation and posting of depreciation expense to the general ledger and the updating of the Plant Fund based on physical inventory counts on a regular basis. The system is expected to be implemented by the end of fiscal year 2004.
<i>External Financial Reporting</i>			
2. NMC should ensure that the Book Store operations are included in the financial statements.	NMC	Unresolved	We concur with the finding. Although the Bookstore is a department within the College, it

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			<p>maintains a financial accounting system that is separate from the one maintained in the College's Finance Office. Financial statements for the Bookstore's operations for fiscal year 2001 were prepared, however, the Bookstore was unable to locate some of the accounting records for fiscal year 2001 due to recent changes in management and staff at the Bookstore, making it difficult to audit its financial statements. Accordingly, the College elected to exclude the Bookstore's financial operations from the overall financial statements of the institution.</p>

Receivables

<p>3. NMC should implement procedures requiring periodic review of all receivable balances for validity and collectibility. This review process should also address the adequacy of related allowances for doubtful accounts.</p>	<p>NMC</p>	<p>Unresolved</p>	<p>We concur with the finding. The College plans to review the accounts receivable subsidiary ledger on a regular basis to assess the validity and collectibility of receivables as well as the adequacy of the allowance for doubtful accounts. Reviewing receivables on a monthly basis is not possible at this time due to delays in processing student charges and payments as a result of limitations of the computerized accounts receivable system. However, in November 2003, NMC will be implementing its PowerCampus admissions and registration system, which includes a student billing/cash receipts/accounts receivable module. The PowerCampus software will greatly facilitate the processing of student charges and payments to enable the monthly review of accounts receivable.</p>
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Journal Vouchers

<p>4. NMC should establish policies and procedures requiring journal entries to be reviewed and approved for entry by someone other than the preparer and that such a review be evidenced by the reviewer's</p>	<p>NMC</p>	<p>Unresolved</p>	<p>We concur with the finding and recommendation that journal entries be reviewed and approved. This resulted from the lack of adequate staff in the Finance Office. Presently, each Finance Office staff makes</p>
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
signature.			journal entries to the accounting system in his or her respective areas of responsibility on a daily basis (e.g., accounts payable, accounts receivable, payroll, etc.). NMC is currently assessing the staffing levels and responsibilities of Finance Office staff to determine if this responsibility can be assigned to an existing employee. Otherwise, an additional person may need to be hired with this responsibility to that individual. The College expects to take action on this finding soon.
Cash Receipts			
5. NMC should adhere to established policies and procedures requiring independent review of daily collection reports.	NMC	Unresolved	We concur with this finding. The reviewer inadvertently did not initial the daily cash collection reports but did initial the deposits slips to signify her review. NMC will ensure that the reviewer sign all collection reports as evidence of his or her review.
Payroll			
6. NMC should adhere to established policies and procedures requiring employee personnel files to be up to date and complete.	NMC	Unresolved	We concur with the finding. To ensure that all employees are provided with the W-4 forms upon their hiring at the College, the Human Resources Office includes W-4 forms in an information packet provided to new employees. Adjunct faculty are provided the W-4 forms by the instructional departments that they are teaching courses for. W-4 forms are maintained in employees' payroll files in the Finance Office. However, if new employees, part-time and full-time, do not turn their W-4 forms to the payroll section in the Finance Office, the payroll accountant will use a default setup of single with zero allowances in order to process a payroll check for such employees each pay period. The payroll accountant has been instructed to not process the payroll for employees who have not submitted a W-4 form.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Procurement and Suspension and Debarment</i>			
7. NMC should comply with federal small purchase standards [U.S. Department of Education/TRIO - Upward Bound/CFDA # 84.047A].	NMC	Unresolved	<p>We concur with the finding that NMC did not follow federal procurement guidelines in procuring the items. However, NMC followed its procurement regulations for sole source purchases at the time the items were acquired. The College is currently in the process of revising its procurement regulations and the procedures for sole sourcing of purchases are expected to be revised and strengthened.</p> <p>On October 7, 2003, the NMC President and Director of Financial and Administrative Services recently met with officials from the U.S. Department of Education to discuss this issue. Upon submission of the final audit report to the grant agency, further discussions will be held and appropriate action will be taken to resolve these items.</p>
<i>Allowable Costs/Cost Principles</i>			
8. NMC should ensure that only allowable costs be charged to federal grants [U.S. Department of Education/TRIO - Upward Bound/CFDA # 84.047A].	NMC	Unresolved	<p>We concur with the finding that NMC charged the lump-sum retirement related payments to the federal grant. The College was unaware that this type of expenditure was not allowed under the terms of the grant and acknowledge that it may be liable to the grant agency for the amount that was questioned.</p> <p>On October 7, 2003, the NMC President and Director of Financial and Administrative Services recently met with officials from the U.S. Department of Education to discuss this issue. Upon submission of the final audit report to the grant agency, further discussions will be held and appropriate action will be taken to resolve these items, including the possible repayment in the amount of the questioned cost.</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Reporting			
9. NMC should define and establish oversight and review responsibilities to ensure timely preparation and review of financial records.	NMC	Unresolved	We concur with the finding that the expenditures reported on the SF-269 were higher than the expenditures per the general ledger report that the audit firm printed at the time of its fieldwork. However, the SF-269 was prepared and the numbers were the same. NMC reran the financial statements and general ledger reports for the ABE programs and noted that the amount reported as expenditures on the SF-269 included encumbrances for fiscal year 2001. Therefore, NMC inadvertently included encumbrances in the SF-269 report for fiscal year 2001. The encumbrances were subsequently liquidated and recorded as expenditures in the following fiscal year. The ABE grant is for a 27-month period and the \$12,137 was shown as expended in fiscal year 2002. The College will ensure that actual cash expenditures (not including encumbrances) are reported in the SF-269 in the future.
Allowable Costs/Cost Principles			
10. NMC should review the allocation percentage calculation and ensure that its match share of grant funds is accurate. Further, specific approval of the allocation percentage calculation should be obtained from the grantor agency on an annual basis [U.S. Department of Agriculture/Cooperative State Research and Extension Service - Smith Lever Act/ CFDA #10.500].	NMC	Unresolved	We disagree with the finding that the allocation percentage used by the College was overstated by 6.43%. NMC computed its allocation percentage based on the number of employees at the institution on the date that it submitted its matching allocation report (at the beginning of the fiscal year). However, that audit firm computed the allocation percentage based on the last date of the fiscal year. We concur with the finding that NMC did not receive specific approval from the grantor agency on its method for allocating matching funds to the federal grant. However, the College has been using this method for a number of years and the grantor agency has not disapproved

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>11. NMC should review the allocation percentage calculation and ensure that its match share of grant funds is accurate. Further, specific approval of the allocation percentage calculation should be obtained from the grantor agency on an annual basis [U.S. Department of Agriculture/Cooperative State Research and Extension Service - Hatch Act/CFDA #10.203].</p>	NMC	Unresolved	<p>this allocation method.</p> <p>On October 7, 2003, the NMC President and Director of Financial and Administrative Services recently met with officials from the U.S. Department of Agriculture to discuss this issue. Upon submission of the final audit report, further discussions will be conducted with the federal agency and appropriate action will be taken to resolve this item.</p>
<p>12. NMC should ensure that only allowable indirect costs be charged to federal programs [U.S. Department of Education/TRIO - Upward Bound/ CFDA #</p>	NMC	Unresolved	<p>We disagree with the finding that the allocation percentage used by the College was overstated by 6.43%. NMC computed its allocation percentage based on the number of employees at the institution on the date that it submitted its matching allocation report (at the beginning of the fiscal year). However, that audit firm computed the allocation percentage based on the last date of the fiscal year.</p> <p>We concur with the finding that NMC did not receive specific approval from the grantor agency on its method for allocating matching funds to the federal grant. However, the College has been using this method for a number of years and the grantor agency has not disapproved this allocation method.</p> <p>On October 7, 2003, the NMC President and Director of Financial and Administrative Services recently met with officials from the U.S. Department of Agriculture to discuss this issue. Upon submission of the final audit report, further discussions will be conducted with the federal agency and appropriate action will be taken to resolve this item.</p> <p>We concur with the finding that NMC did not obtain specific approval from the grant agency on the rate to be charged for indirect costs to the federal grant. Although NMC has</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
84.047A].			not negotiated and received approval for an indirect cost rate with the grant agency, it charged the maximum allowed, which was 8%. Although NMC is an agency of the CNMI government, the College plans to calculate its own indirect cost rate and to work with the CNMI government on researching the process for negotiating an indirect cost rate directly with the grant agency in fiscal year 2004.
13. NMC should ensure that only allowable indirect costs be charged to federal programs [U.S. Department of Education/Adult Basic Education/CFDA # 84.002].	NMC	Unresolved	We concur with the finding that NMC did not obtain specific approval from the grant agency on the rate to be charged for indirect costs to the federal grant. Although NMC has not negotiated and received approval for an indirect cost rate with the grant agency, it charged the maximum allowed, which was 8%. Although NMC is an agency of the CNMI government, the College plans to calculate its own indirect cost rate and to work with the CNMI government on researching the process for negotiating an indirect cost rate directly with the grant agency in fiscal year 2004.
Procurement			
14. NMC should establish policies and procedures to ensure compliance with federal small purchase procurement standards [U.S. Department of Agriculture/ Cooperative State Research and Extension Services - Smith-Lever Act/CFDA # 10.500].	NMC	Unresolved	We concur with the finding that NMC did not follow federal procurement guidelines in procuring these items. However, NMC followed its procurement regulations for sole source purchases at the time the item was purchased. The College is currently in the process of revising its procurement regulations and the procedures for sole sourcing of purchases are expected to be revised and strengthened. Further, the item purchased via check # 12767 was insurance for the federal program's vehicles. The insurance was purchased from a company that maintains the highest credit rating, B++, of all insurance companies in

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			<p>the CNMI. NMC prefers to purchase insurance from a company that is financially capable of paying out claims if needed.</p>
			<p>On October 7, 2003, the NMC President and Director of Financial and Administrative Services recently met with officials from the U.S. Department of Agriculture to discuss this issue. Upon submission of the final audit report, further discussions will be conducted with the federal agency and appropriate action will be taken to resolve this item.</p>
Matching Costs Allocation			
<p>15. NMC should obtain specific approval of its cost allocation plan from the grantor agency and document such on file [Cooperative State Research and Extension Services - Smith-Lever and Hatch Acts, CFDA #s 10.500 and 10.203].</p>	NMC	Unresolved	<p>We concur with the finding that NMC did not receive specific approval from the grant agency on its method for allocating matching funds to the federal grant. However, the College has been using this method for a number of years and the grant agency has not disapproved this allocation method.</p>
Funds Availability			
<p>16. NMC should take steps to document the validity of the carried forward balances and obtain approval of this carry forward from the grantor agency [Cooperative Research and Extension Programs - Smith-Lever Act/CFDA # 10.500].</p>	NMC	Unresolved	<p>We concur with the finding that carryover amount for the Smith-Lever fund may not be accurate. NMC plans to review the grant award, cash drawdowns, and expenditures of the fund from the first year of the grant up to the current year to recomputed the carryover amount.</p>
Reporting			
<p>17. NMC should clearly define and establish oversight and review responsibilities to ensure timely preparation and review of financial records. Additionally amended reports should be submitted to the grantor agency to correct the discrepancies noted [Cooperative Research and Extension Programs -</p>	NMC	Unresolved	<p>We concur with the finding that the expenditures per the general ledger report exceed the amounts reported on the SF-269. NMC plans to review the grant award, cash drawdowns, and expenditures of the funds from the first year of the grant up to the current year to ensure that expenditures are reported in the</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Smith-Lever Act and Hatch Act/ CFDA #s 10.500 and 10.203].			appropriate period. The SF-269s will be amended as needed.
18. NMC should implement sound record keeping and maintenance procedures [Cooperative Research and Extension Programs - Hatch Act/CFDA # 10.203].	NMC	Unresolved	We concur with the finding. The College was unable to locate copies of the Forms SF-272 for programs funded under the Hatch Act for fiscal year 2001. The college believes that the forms were filed but that its former federal accountant, who was responsible for their preparation, did not retain copies of the documents. If the SF-272s were not filed, the College would have been unable to draw down funds during the fiscal year. NMC had contacted the U.S. Department of Agriculture for copies of the SF-272s but has not received the information to date. NMC will follow up with the grant agency on its request. The College's new federal accountant currently maintains copies of all reports, including the SF-272, filed with the grant agency in the Finance Office.
19. NMC should implement procedures to ensure timely preparation and submission of federal financial reports [Cooperative State Research and Extension Services - Smith-Lever and Hatch Acts/CFDA # 10.500 and 10.203].	NMC	Unresolved	We concur with the finding. The former federal programs accountant at the College did not complete the initial Financial Status Report (SF-269) for both Smith-Lever and Hatch Act grants for fiscal year 2001. Therefore, the new federal programs accountant who assumed the federal accounting and financial reporting responsibilities prepared the initial SF-269 for both grants. The College is still reviewing the detailed general ledger reports for the two grants for fiscal year 2001 and will prepare the final SF-269 upon completion of the review.
20. NMC should delineate and implement the responsibilities for regular reviews of financial records [Cooperative State Research and Extension Services - Smith-Lever and Hatch Acts/CFDA #s 10.500 and 10.203].	NMC	Unresolved	We concur with the finding. The Finance Office released the checks to the requesting department for distribution to the appropriate suppliers. Unfortunately, the requesting department informed the Finance Office of the cancelled projects/purchases at a date that was subsequent to the fiscal year end that

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Eligibility</i>			<p>the expenses were charged to. The Finance Office appropriately cancelled the checks but did not adjust the expenditures in the appropriate fiscal year. The Finance Office staff has been instructed to void similar transactions in the fiscal year that the expenditure was charged to. Additionally, the new federal programs accountant is closely monitoring all transactions related to federal grants and will ensure that voided transactions are recorded in the appropriate fiscal year.</p>
<p>21. NMC should establish procedures to ensure that files for all students receiving financial aid contain adequate documentation to support eligibility requirement [Federal Grant Program/CFDA # 84.063].</p>	NMC	Unresolved	<p>We concur with the finding. The College's financial aid office will be tasked with the responsibility of locating the missing documents for submission to the federal grantor agency for resolution of the finding.</p>
<i>Cash Management</i>			
<p>22. NMC should establish policies and procedures to ensure compliance with cash management requirements concerning refunds of credit balances [Federal Grant Program/CFDA # 84.063].</p>	NMC	Unresolved	<p>We concur with the finding. The Finance Office normally credits a student's account for the amount of Title IV funds used to cover his or her tuition, fees, and other authorized charges upon receipt of such information from the Financial Aid Office. Student accounts are immediately credited to ensure that their accounts are up to date to avoid any problems they may have with future registration for courses at the College. After students' accounts have been credited, funds were to be drawn down under the Title IV grant. A portion of such funds were to be used to refund students for the amount that their Title IV funds exceeded their tuition, fees, and other authorized charges. However, during fiscal years 2001, the drawdowns were made at a date much later than the date students' accounts were credited. This was attributed to internal delays in processing the draw down requests caused by the lack of</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>sufficient staff handling student accounts receivable and accounts payable. Accordingly, the delay in the draw down of funds resulted in the delay in processing of student refunds. Obviously, the College cannot issue refund checks to students if the funds have not been drawn down. This situation continued into fiscal years 2002 and 2003. The College is working on improving its Title IV drawdown and student refund procedures to ensure that it complies with federal regulations.</p>			
<i>Subrecipient Monitoring</i>			
23. NMC should establish policies and procedures to ensure compliance with subrecipient monitoring requirements [TRIO - Upward Bound/CFDA # 84.047A].	NMC	Unresolved	We concur with the finding. The College will send a letter to the President of American Samoa Community College for a copy of its audit report for the relevant period.
<i>Equipment and Real Property Management</i>			
24. NMC should establish policies and procedures to ensure compliance with federal property management standards [All Federal Programs].	NMC	Unresolved	We concur with the finding. The Procurement and Property Management Office is responsible for maintaining property records and for performing a physical inventory count each year. The property records are maintained in a database but such information is incomplete. Furthermore, the office lacks sufficient staff to adequately perform a complete physical inventory count. The College is currently exploring the purchase of a software program to track its fixed assets and is compatible with the College's current fund accounting software.

Northern Mariana Islands Government Health and Life Insurance Trust Fund

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

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

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

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

Northern Mariana Islands Retirement Fund

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

Date(s) of followup letter(s) sent : 2/18/03, 8/4/03, 9/3/03 (J. Scott Magliari re: NMIRF response)

Date(s) of response letter(s) received : 7/22/03

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

Public School System

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

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

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

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Travel Advances</i>			
3. PSS should strictly enforce its established policies and procedures in collecting unliquidated travel advances.	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	PSS concurs. The management of PSS has made tremendous efforts for the strict implementation of its policies and procedures governing travel advances.
<i>Financial Statements</i>			
4. PSS should consider updating or modifying the design of their current financial management system based on the needs of the organization. This would help the employees on their assigned tasks and generate the desired output for the end users.	PSS	Unresolved (Outstanding since FY 2000 Single Audit)	PSS stated that enhanced effort to balance its general ledgers will be made.
<i>Activities Allowed or Unallowed</i>			
5. PSS as the State Educational Agency should enforce internal policies and procedures and comply with the requirements of the State Plan [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved (Outstanding since FY 2000 Single Audit)	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
<i>Eligibility</i>			
6. PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms
7.			

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>a child is enrolled in the Nutrition Assistance Grant Program [Nutrition Assistance Grant/CFDA #10.555].</p>			<p>and conditions of its federal programs.</p>
<p>8. PSS should develop internal control policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Childcare Program [Childcare and Development Block Grant/CFDA #93.575].</p>	PSS	<p>Unresolved (Outstanding since FY 1997 Single Audit)</p>	<p>PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.</p>
<p>6. PSS should develop internal control policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Head Start Program. Furthermore, PSS should establish stringent policies and controls to ensure that all children in the Head Start program receive timely and complete medical and dental evaluations pursuant to 45 CFR §1304.3-3 and the CNMI Head Start General Health Services Written Plan [Headstart Program/CFDA #93.600].</p>	PSS	<p>Unresolved (Outstanding since FY 1995 Single Audit)</p>	<p>PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.</p>

Reporting

<p>7. PSS should adopt a system that will ensure compliance with the grant terms and conditions [Consolidated Grants to Insular Areas/CFDA #84.922A].</p>	PSS	Unresolved	<p>PSS agrees with the finding. PSS stated that enhanced effort will be made to monitor and evaluate the programs being carried out under this grant and ensure compliance with all federal requirements and that all responsibilities of PSS as both the SEA and LEA are performed.</p>
<p>8. The SEA should adopt a system that will ensure compliance with the requirements of the State Plan [Consolidated Grants to Insular Areas/CFDA #84.922A].</p>	PSS	<p>Unresolved (Outstanding since FY 2000 Single Audit)</p>	<p>PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
9. PSS should adhere to the schedule of federal reporting guidelines. [Nutrition Assistance Grant/CFDA #10.555]	PSS	Unresolved (Outstanding since FY2000 Single Audit)	PSS agrees with the finding. Enhanced effort will be made to ensure that PSS will adhere to the schedule of federal reporting requirements.
10. PSS should ensure that the annual Single Audit be contracted prior to year-end.[Nutrition Assistance Grant/CFDA #10.555]	PSS	Unresolved (Outstanding since FY1998 Single Audit)	PSS agrees with the finding. Through the multi-year <i>Request for Proposal</i> for the Single Audit, PSS would be able to be current in the annual agency audit.
11. PSS should comply with the reporting requirements of the Childcare funds. [Nutrition Assistance Grant/CFDA #93.575]	PSS	Unresolved	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
Special Tests and Provisions			
12. The SEA should enforce existing internal policies and procedures and comply with the requirements of the State plan [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved	PSS agrees with the finding. The Human Resource Office of PSS has already assigned a person for Staff Development who will ensure compliance with federal grant requirements.
13. PSS should adopt a system that will ensure compliance with the grant terms and conditions [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
14. PSS should assign one Federal Program Officer (or equivalent) in monitoring and providing assistance on the institutions that carry out the programs under this grant and evaluate the effectiveness of these programs in meeting the purposes and objectives of this grant [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved (Outstanding since FY2000 Single Audit)	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
15. PSS should adopt a system that will ensure compliance with the grant terms and conditions [Consolidated Grants to Insular	PSS	Unresolved	PSS agrees with the finding. Enhanced effort will be made to ensure compliance with all federal requirements and that all

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Areas/CFDA #84.922A].			responsibilities of PSS as both the SEA and LEA are performed.
16. PSS should establish a system in place that will ensure compliance with the grant terms and conditions, as well as to facilitate a smooth flow of program operations [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved	PSS agrees iwth the finding. For FY2003, the Safe and Drug-Free Grant has been consolidated as part of Title VI. There is no longer necessarily a requirement for quarterly site visitations and any visitations can be conducted as part of the Federal Programs Office Title VI visits at schools or islands.
17. PSS should establish procedures to ensure that all requirements on the Federal regulations and activities or services to be performed as stated on the State Plan are all complied with [Special Education Program/CFDA #84.027].	PSS	Unresolved (Outstanding since FY2000 Single Audit)	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
18. The Special Education Program should update and make the necessary changes on documenting their plans and programs identified in the State Plan [Special Education Program/CFDA #84.027].	PSS	Unresolved	PSS is obligated by federal law to provide services for any and all children with disabilities in the CNMI free of charge, there is no federal document stating agreements must be signed. If an MOU for a specific student with a specific agency becomes necessary and there is reasonable expectation to receive compensation, PSS will draw up an MOU to meet the needs of the student.
19. PSS should establish internal control policies and procedures to ensure compliance with federal requirements [Special Education Program/CFDA #84.027].	PSS	Unresolved (Outstanding since FY2000 Single Audit)	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
20. PSS should ensure that all requirements as stated in the State Plan are complied with [Special Education Program/CFDA #84.027].	PSS	Unresolved (Outstanding since FY2000 Single Audit)	PSS agrees with the finding. A SPED staff has been hired who will be responsible for this requirement.
21. The State Educational Agency should enforce existing internal	PSS	Unresolved (Outstanding since	PSS agrees with the finding. A federal officer has been

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
policies and procedures and comply with the requirements of the State Plan [Special Education Program/CFDA #84.027].		FY 1998 Single Audit)	recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
22. PSS should coordinate with the Department of Community and Cultural Affairs in ensuring that child care provider regulations has already been adopted and approved for implementation [Childcare Development Block Grant/CFDA #93.575].	PSS	Unresolved	PSS stated that it did not fail to collaborate with DCCA in promulgating day care rules. In 1992, PSS developed a day care rules and regulations, gave the rules to DCCA, but DCCA failed to go through the process of having the rules promulgated. Through technical assistance provided to PSS Child Care program by the Child Care Bureau, it was defined and clarified that DCCA never had any standards or regulations.
23. PSS should actively pursue recruitment for the Disabilities Services Manager. A system should be established to ensure compliance with the above criterion even with the absence of a Disabilities Services Manager [Headstart Program/CFDA #93.600].	PSS	Unresolved	PSS agrees with the finding. PSS is planning on contracting a third party to provide these services given its inability to hire appropriate staff.
24. PSS should adopt a system that will effectively monitor compliance of PSS with the required ratio of pupils to teacher/teacher aide [Headstart Program/CFDA #93.600].	PSS	Unresolved	PSS agrees with the finding. A federal officer has been recommended for hiring to ensure compliance with the existing terms and conditions of its federal programs.
25. PSS should ensure that each eligible participants of the Head Start Program have all the services they are entitled to receive [Headstart Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	PSS stated that enhanced effort to monitor individual student files, thus, a checklist is to be maintained for each student to comply with the federal requirements under the program.

2. Annual Financial and Compliance Audit in Accordance with OMB-A-I33 Fiscal Year Ended September 30, 2000 By J. Scott Magliari & Company

Date(s) of followup letter(s) sent : 2/18/03, 8/1/03, 9/3/03 (J. Scott Magliari re: PSS response)
 Date(s) of response letter(s) received : 8/20/03, 10/2/03 (J. Scott Magliari)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Fixed Asset</i>			
1. PSS should conduct physical inventories at all locations to identify items that have been previously recorded as expenditures. PSS should apply its capitalization policy in determining inclusions of equipment in the fixed asset detailed subsidiary ledger. Physical count should be agreed to the detailed subsidiary record and the necessary adjustments made to adjust to actual.	PSS	Resolved	For fiscal year 2001, PSS was able to update its detailed fixed asset ledger. The capitalization policy states that all acquisitions amounting to \$5,000 or more will be recorded as plant, property and equipment.
<i>Beginning Balance</i>			
2. PSS should post the audited balances in their books of accounts at the end of the fiscal year 2000 audit.	PSS	Resolved	For the audit period ending FY 2001, prior audit adjustments were properly posted to the trial balance. The beginning balances of FY2001 are the audited ending balance of FY2000.
<i>Travel Advances</i>			
3. PSS should strictly enforce its established policies and procedures in collecting unliquidated travel advances.	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	To date, the Company has not been able to adequately monitor adherence to its travel policies. The same condition was identified as Finding 01-1 for financial statements.
<i>Payroll Advances</i>			
4. PSS should establish written internal control policies and procedures over payroll advances.	PSS	Resolved	These payroll advances were charged to expense during the audit period 2001. The establishment of written

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			internal control policies and
			procedures is not necessary anymore as payroll advances are not allowable anymore.

Advances to Vendors

5.	PSS should establish internal control policies and procedures over procurement and disbursements. An order log should be maintained and reviewed periodically to keep track of undelivered orders.	PSS	Resolved	For the fiscal year ending 2001, the balance of advances to vendors account went down to \$149,373. This indicates an improvement and that PSS was already able to keep track of their advances.
6.	PSS should develop a written set of policies, procedures and internal controls that delineates a mechanism for tracking prepaid orders.	PSS	Resolved	As indicated above, PSS made some improvement on their system in monitoring the advances to vendor accounts. In tracking the prepaid orders, this includes the liquidation of advances based on the vendor's invoice.
7.	PSS should strictly enforce its established regulations in competitive selection of suppliers or contractors.	PSS	Resolved	As stated, with the improvement made by PSS on their system in monitoring the advances to vendor accounts, there was no finding with the same condition was identified during the audit of FY2001. In tracking the prepaid orders, this includes ensuring the liquidation of advances be based on the vendor's invoices.

Financial Statements

8.	PSS should consider updating or modifying the design of their current financial management system based on the needs of the organization. This would help the employees on their assigned tasks and generate the desired output for the end users.	PSS	Unresolved	During FY2001, PSS' general fund general ledger was not balanced by \$55,938. This condition was noted as Finding No. 01-2 for financial statements.
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Activities Allowed or Unallowed

9.	PSS as the State Educational	PSS	Unresolved	The same condition was identified in
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Agency should enforce existing internal policies and procedures and comply with the requirements of the State Plan [Consolidated Grants to Insular Areas/CFDA #84.922A].			the fiscal year 2001 audit as Finding No. 01-3. PSS is currently actively pursuing the recruitment of a federal programs officer who will be responsible for monitoring all federal grant requirements.
Eligibility			
10. PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Nutrition Assistance Grant Program [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	The same condition was identified in the fiscal year 2001 audit as Finding No. 01-4.
11. PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Childcare Program [Childcare and Development Block Grant/CFDA #93.575].	PSS	Unresolved (Outstanding since FY 1997 Single Audit)	The same condition was identified in the fiscal year 2001 audit as Finding No. 01-6.
Procurement, Suspension & Debarment			
12. PSS should strictly enforce the established internal control policies and procedures in procuring goods or services to comply with the statute laws and federal regulations [Special Education Program/CFDA #84.027].	PSS	Resolved	As stated, with the improvement made by PSS on their system in monitoring the advances to vendor accounts, there was no finding with the same condition was noted during the FY2001 audit.
13. PSS should execute a contract on actual purchases of government activities for services with deliveries or performance to be scheduled in compliance with local laws and federal requirements [Headstart Program/CFDA #93.600].	PSS	Resolved	As stated, with the improvement made by PSS on their system in monitoring the advances to vendor accounts, there was no finding with the same condition was noted during the FY2001 audit. PSS complied with the local laws and federal requirements in executing a contract.

Reporting

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
14. PSS should comply with 34 CFR 76.700 and implement a system to ensure that all their responsibilities as both a State Educational Agency (SEA) and Local Educational Agency (LEA) are performed [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-8.
15. PSS should comply with the schedule of federal reporting deadlines [Nutrition Assistance Grant/CFDA #10.055].	PSS	Unresolved	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-9.
16. PSS should contract out the annual Single Audit prior to year-end [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY 1997 Single Audit)	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-10.
17. PSS should comply with the reporting requirements of the Childcare funds [Childcare and Development Block Grant/CFDA #93.575].	PSS	Unresolved	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-12.

Special Tests and Provisions

18. PSS should assign one Federal Program Officer in monitoring and providing assistance on the institutions that carry out the programs under this grant and evaluate the effectiveness of these programs in meeting the purposes and objectives of this grant [Consolidated Grants to Insular Areas/CFDA #84.922A].	PSS	Unresolved	The same finding was noted in the fiscal year 2001 audit as Finding No. 01-15.
19. PSS should comply with the State Plan to ensure that all federal requirements are met [Special Education Program/CFDA #84.027].	PSS	Unresolved	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-20.
20. PSS should ensure that all requirements on the Federal regulations and activities or services to be performed as stated on the State Plan are all complied with [Special Education Program/CFDA #84.027].	PSS	Unresolved	For fiscal year 2001, an annual child count was established as seen in the 22 nd Annual Report Congress.

	Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
21.	PSS should ensure that all requirements as stated in the State Plan are complied with [Special Education Program/CFDA #84.027].	PSS	Unresolved	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-21.
22.	The State Educational Agency should enforce existing internal policies and procedures and comply with the requirements of the State Plan [Special Education Program/CFDA #84.027].	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-11.
23.	The Special Education Program should comply with the requirements of the CNMI State Plan and federal regulations by signing MOU's with appropriate agencies and conduct annual reviews as stipulated on their agreements [Special Education Program/CFDA #84.027].	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-19.
24.	PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Head Start Program. PSS should also establish stringent policies and controls to ensure that all children in the Head Start Program receive timely and complete medical and dental evaluations as required by 45 CFR §1304.3-3 and the CNMI Head Start General Health Services Written Plan, FY 2000 - 01 [Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-6.
25.	PSS should ensure that each eligible participants of the Head Start Program have all the services they are entitled to receive [Head Start Program/CFDA #93.575].	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	The same condition was noted in the fiscal year 2001 audit as Finding No. 01-25.

Equipment and Real Property Management

26.	PSS should establish appropriate accounting policies and procedures for fixed assets [All Federal	PSS	Resolved	As indicated in Finding 00-01, PSS was able to update its detailed fixed asset ledger. They have complied
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Grants].			with the federal requirements for all equipments purchased with federal funds as indicated in the Office of Management and Budget circular A-102.

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

Date(s) of followup letter(s) sent : 3/11/02, 8/12/02, 9/18/02 (Independent Auditor re: PSS response), 9/30/02 (PSS re: Independent Auditor response), 8/1/03, 9/3/03 (J. Scott Magliari re: PSS response)

Date(s) of response letter(s) received : 5/24/02, 9/23/02 (J. Scott Magliari), 8/20/03, 10/2/03 (J. Scott Magliari)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Fixed Asset</i>			
1. PSS should conduct physical inventories at all locations to identify items that have been previously recorded as expenditures. PSS should apply its capitalization policy in determining inclusions of equipment in the fixed asset detailed subsidiary ledger. Physical count should be agreed to the detailed subsidiary record and the necessary adjustments made to adjust to actual.	PSS	Resolved	For fiscal year 2001, PSS was able to update its detailed fixed asset ledger. The capitalization policy states that all acquisitions amounting to \$5,000 or more will be recorded as plant, property and equipment.
<i>Beginning Balance</i>			
2. PSS should post roll-forward balances at the beginning of each fiscal year.	PSS	Resolved	For the audit period ending FY2001, prior audit adjustments were properly posted to the trial balance. The beginning balances of FY2001 are the audited ending balance of FY2000.
<i>Payroll Liabilities</i>			
3. PSS should ensure the deficiency is	PSS	Resolved	The deficiency was subsequently

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
corrected and the software is properly and effectively utilized and that the supporting details are reconciled to the general ledger on a regular basis.			corrected during the fiscal year 2000 such that, the supporting details are reconciled to the general ledger.
Purchases/Disbursements			
4. PSS should adhere to established policies and procedures to ensure that all employment contracts are complete and properly accounted for.	PSS	Resolved	PSS was able to provide the Notification of Personnel Action and employment contract of the payroll related disbursements. The pay rates of the identified employees agree with the employment contract.
5. PSS should adhere to prescribed policies and procedures to ensure that employment contracts are complete and kept on file.	PSS	Resolved	PSS was able to provide the Notification of Personnel Action and employment contract of the payroll related disbursements. The pay rates of the identified employees agree with the employment contract.
Payroll Advances			
6. PSS should establish written internal control policies and procedures over payroll advances.	PSS	Resolved	These payroll advances were charged to expense during the audit period 2001. The establishment of written internal control policies and procedures is not necessary anymore as payroll advances are not allowable anymore.
Advances to Vendors			
7. PSS should establish internal control policies and procedures over procurement and disbursements. An order log should be maintained and reviewed periodically to follow-up on undelivered orders.	PSS	Resolved	For the fiscal year ending 2001, the balance of advances to vendors account went down to \$149,373. This indicates an improvement and that PSS was already able to keep track of their advances.
Travel Advances			
8. Established procedures should be adhered to. Travel advances should be reconciled to the general ledger monthly.	PSS	Resolved	This was subsequently corrected in the fiscal year 2000 audit such that, the balance from the general ledger reconciles with the subsidiary ledger balance.
9. PSS should strictly enforce its established policies and procedures in collecting unliquidated travel	PSS	Unresolved	To date, the Company has not been able to adequately monitor adherence to its travel policies. The same

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
advances.			condition was identified as Finding No. 01-1 for financial statements.
Vouchers Payable			
10. Established procedures should be adhered to. Vouchers payable should be reconciled to the general ledger monthly.	PSS	Resolved	Enhanced effort was already made to perform reconciliation between subsidiary ledger and the general ledger on a monthly basis. This was subsequently corrected, as there was no finding identified with the same condition in the fiscal year 2000 audit.
Accounts Receivable			
11. Established procedures should be adhered to. Accounts receivable-CNMI should be reconciled to the general ledger monthly.	PSS	Resolved	The deficiency was subsequently corrected such that the Accounts receivable-CNMI reconciles with the general ledger. There was no finding identified with the same condition in the fiscal year 2000 audit.
Encumbrances			
12. I recommend that management review the items in the encumbrance ledger to ensure that the encumbrances are properly recorded and valid.	PSS	Resolved	PSS was able to provide the related documents of these encumbrances to ensure that they were properly recorded and valid.
Federal Programs			
13. Recommendations include adherence to established policies and procedures, increased administrative oversight, the use of standardized forms, following the State Plan and applicable federal regulations, developing a checklist to be included in each student file, and following a set organizational scheme for the documents in the student files to facilitate easy retrieval [Special Education/CFDA #84.027].	PSS	Unresolved	With the implementation of the school visits to review IEP's, the individual students files will be complete and organized. The central office files will be reviewed, completed and organized in an efficient manner. A checklist for the content of each file will be developed and used to monitor and assure that the files are complete and organized. School principals will be given a memo describing the condition of the student files and corrective action measure if needed to correct the deficiencies.
14. The SEA should enforce existing internal policies and procedures and comply with the requirements of the State Plan [Special Education/CFDA #84.027].	PSS	Unresolved	The same condition was identified as Finding No. 01-11 in the fiscal year 2001 audit report. As indicated on the auditee's response and corrective plan, site visits will be conducted to review

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
15. The Special Education Program should comply with the requirements	PSS	Unresolved	the IEP's on a cyclical basis. Two schools per month will be reviewed and it would be the data clerk who will determine the selection of the schools. Consideration as to the size and number of students per school will determine the review schedule. Reviews are scheduled to begin in September 2002 through May 2003.
of the CNMI State Plan and federal regulations by signing MOU's with appropriate agencies [Special Education/CFDA #84.027].			Eligibility Document (formerly referred to as the State Plan) was submitted to the US Office of Special Education in June 2002 for review and approval. All required interagency agreements as stipulated in the Eligibility Document and Procedure Manual will be developed and implemented. The same condition was identified as Finding No. 01-19 in the fiscal year 2001 audit report.
16. The Special Education Program and the Special Education State Advisory Panel should comply with the requirements set forth in the CNMI State Plan and federal regulations [Special Education/CFDA #84.027].	PSS	Unresolved	Enhanced effort will be made to ensure PSS complies with the requirements set forth in the CNMI State and Federal regulations.
17. PSS should collaborate with the Department of Community and Cultural Affairs (DCCA) in developing day care licensing regulations for the CNMI, and there should be a signed Memorandum of Understanding between the two agencies. Additionally, PSS should develop and enforce an internal monitoring program that encompasses periodic visits to licensed day care facilities that are providing childcare to children whose parents are receiving childcare certificates [Childcare & Development Block Grant/CFDA #93.575].	PSS	Resolved	The Special Education program of PSS ensured that all providers are licensed before the Business Office issues a purchase order for payment.
18. PSS should establish stringent policies and controls to ensure that all children	PSS	Unresolved	As identified on its auditee's response and corrective action plan, enhanced

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>in the Head Start Program receive timely and complete medical and dental evaluations as required by 45 CFR §1304.3-3 and the CNMI Head Start General Health Services Written Plan, FY 1998-99. Furthermore, PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Head Start Program [Head Start Program/CFDA</p> <p>#93.600].</p>			<p>effort to monitor all necessary documentation of each child enrolled within the Headstart program. A memorandum dated April 2002 was issued to program managers enforcing administrative compliance, participants receiving this program are to be monitored, reviewed and updated annually. The same condition was identified as Finding No. 01-6 in the fiscal year 2001 audit.</p>
<p>19. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Consolidated Grant to Insular Areas/CFDA #84.998].</p>	PSS	Resolved	<p>PSS provided the supporting documents of the identified disbursements during the fiscal year 2000 audit.</p>
<p>20. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Special Education/CFDA #84.027].</p>	PSS	Resolved	<p>PSS provided the documents supporting the identified disbursement during the fiscal year 2000 audit and noted no exception on the examination of th documents.</p>
<p>21. PSS should develop written policies, procedures, and internal controls that delineate a mechanism for tracking and following-up incomplete prepaid orders and professional services retainers. Management oversight of prepaid purchase orders and professional services retainers should be diligent and strict accountability maintained [Special Education/CFDA</p>	PSS	Resolved	<p>PSS provided the documents supporting the identified disbursement during the fiscal year 2000 audit and noted no exceptions on the examination of the documents.</p>

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

Federal Financial Reports

25. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed together in a manner to facilitate easy retrieval [Nutrition Assistance Grant/CFDA #10.055].	PSS	Resolved	PSS provided the supporting documents of each of the identified disbursements during the fiscal year 2000 audit and noted no exception on the examination of the documents.
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Reporting

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
26. I recommend PSS to reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	For the fiscal year 2001 and 2000, PSS has taken corrective actions to reconcile their records for all amounts reported to the grantor agency. The cumulative expenditures reported per SF-269 in 2000 ties up with the amount in the general ledger.
27. PSS should prepare and retain all required federal financial reports [Handicapped State Grant/CFDA #84.021].	PSS	Unresolved (Outstanding since FY 1996 Single Audit)	Enhanced efforts were already made in 2001 and 2000 to prepare and retain all required reports. This was subsequently corrected, as there was no finding identified with the same condition in the fiscal year 2001 and 2000 audit.
28. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	For the fiscal year 2001 and 2000, PSS has taken corrective actions to reconcile their records for all amounts reported to the grantor agency. The cumulative expenditures reported per SF-269 in 2001 and 2000 ties up with amount in the general ledger.

Federal Financial Reports

29. PSS should reconcile records for all amounts reported to the grantor agency [Handicapped State Grant/CFDA #84.021].	PSS	Unresolved	Enhanced efforts were made in fiscal year 2001 and 2000 to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. The cumulative expenditures reported per SF-269 both in 2001 and 2000 ties up with amount in the general ledger.
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Reporting

30. PSS should adhere to reporting deadlines. Additionally, transfers between organizations within the same grant should be minimized and when considered appropriate, be performed in a timely manner [Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	Enhanced efforts were made to submit the required financial reports in a timely manner and that the amounts reported to the grantor agency reconciles with the general ledger. In the fiscal year 2001 and 2000 audits, the cumulative expenditures reported per SF-269 ties up with amount in the
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Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
31. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Head Start Program/CFDA #93.600].	PSS	Unresolved	general ledger and PSS was able to adhere to the reporting deadlines. Enhanced efforts were subsequently made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. In the fiscal year 2001 and 2000 audits, the cumulative expenditures reported per PMS-272 in 2000 ties up with amount in the general ledger.
32. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Head Start Program/CFDA #93.600].	PSS	Unresolved	Enhanced efforts were subsequently made to ensure that the amounts reported to the grantor agency reconciles with the general ledger and submitted in compliance with the reporting requirement. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. In the fiscal year 2001 and 2000 audits, the cumulative expenditures reported per PMS-272 agrees with amount in the general ledger and timely submission of the reports was adhered to.
33. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Childcare and Development Block Grant/CFDA #93.575].	PSS	Unresolved (Outstanding since FY 1998 Single Audit)	Enhanced efforts were made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. In the fiscal year 2001 and 2000 audits, the cumulative expenditures reported per ACF-696 and PMS-272 ties up with amount in the general ledger.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Federal Financial Reports			
34. PSS should adhere to schedule of federal reporting deadlines. The Federal Cash Transaction Report (PMS-272) is to be prepared quarterly which is due 45 days after the reporting period end. [Childcare and Development Block Grant/CFDA #93.575].	PSS	Unresolved	Submission of the report was late due to unavailability form in the internet. Enhanced effort was made to submit the PMS-272 on or before the due date. A corrective action was subsequently taken on this condition in fiscal year 2001 and 2000, as there was no finding of the same condition identified during the 2001 and 2000 audit.
Reporting			
35. PSS should maintain and adhere to a schedule of reporting deadlines. The Financial Report ACF-696 is required to be submitted quarterly in lieu of SF-269 and is due within 30 days after the end of the quarter. [Childcare and Development Block Grant/CFDA #93.575].	PSS	Unresolved	Enhanced efforts were made to maintain, adhere to federal reporting requirements and submit financial reports in a timely manner. This was subsequently corrected, as there was no finding of the same condition identified in the audit years 2001 and 2000.
Property and Equipment			
36. PSS should establish appropriate accounting policies and procedures for fixed assets [All Federal Grants].	PSS	Resolved	As indicated in Finding 00-01, PSS was able to update its detailed fixed asset ledger. They have complied with the federal requirements for all equipments purchased with federal funds as indicated in the Office of Management and Budget circular A-102.

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

Date(s) of followup letter(s) sent : 8/1/03, 9/3/03 (J. Scott Magliari re: PSS response)

Date(s) of response letter(s) received : 8/20/03, 10/2/03 (J. Scott Magliari)

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
Fixed Asset			
1. PSS should conduct physical inventories at all locations to identify items that have been previously recorded as expenditures. PSS should apply its capitalization policy in determining inclusions of equipment in the fixed asset detailed subsidiary ledger. The physical count should be agreed to the detailed subsidiary record and the necessary adjustments made to adjust to actual.	PSS	Resolved	For fiscal year 2001, PSS was able to update its detailed fixed asset ledger. The capitalization policy states that all acquisitions amounting to \$5,000 or more will be recorded as plant, property and equipment.
Beginning Balance			
2. PSS should post roll-forward balances at the beginning of each fiscal year.	PSS	Resolved	For the audit period ending FY 2001, prior audit adjustments were properly posted to the trial balance. The beginning balances of FY 2001 are the audited ending balance of FY 2000.
Purchases/Disbursements			
3. PSS should adhere to established policies and procedures to ensure that all timesheets are complete and properly accounted for prior to disbursements.	PSS	Unresolved	This is a document retention problem. When PSS moved in 2001, some documents were transported to the Lower Base storage and some were misplaced. Extra efforts are being made to file the supporting documents promptly. Subsequently, there was no finding identified with the same condition noted in the fiscal year 2001 and 2000 audit.
4. PSS should adhere to prescribed policies and procedures to ensure that employment contracts are complete	PSS	Unresolved	PSS will be including an Employee File Checklist not only to assist in improving the filing system, but

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
and kept on file.			will also ensure that PSS is in compliance with and meeting their policies and procedures.
Payroll Advances			
5. PSS should establish written internal control policies and procedures over payroll advances.	PSS	Resolved	These payroll advances were charged to expense during the audit period 2001. The establishment of written internal control policies and procedures is not necessary anymore as payroll advances are not allowable anymore.
Advances to Vendors			
6. PSS should establish internal control policies and procedures over procurement and disbursements. An order log should be maintained and reviewed periodically to follow-up undelivered orders.	PSS	Resolved	For the fiscal year ending 2001, the balance of advances to vendors account went down to \$149,373. This indicates an improvement and that PSS was already able to keep track of the advances to vendor accounts.
Travel Advances			
7. PSS should establish internal control policies and procedures in maintaining its computer records.	PSS	Unresolved	This is a document retention problem. PSS moved from Nauru Building to Capital Hill and some documents were transported to Lower Base. Enhanced effort was made to maintain subsidiary ledgers on a regular basis. We have provided the auditors the schedule of travel advances and its subsidiary ledger for the audit year 1999 and 2000.
8. Established procedures should be adhered to. Travel advances should be reconciled to general ledger monthly.	PSS	Resolved	The deficiency was subsequently corrected such that the travel advances balance reconcile with the general ledger.
9. PSS should strictly enforce its established policies and procedures in collecting unliquidated travel advances.	PSS	Unresolved	PSS management has made tremendous efforts to inform employees of the travel advance policies. Compliance with these policies is the responsibility of the employee. A new travel policy dated 8/1/02 was issued regarding strict enforcement of the travel

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			liquidation. The policy indicates that 10% of the total travel advances will be withheld and will be paid out to the traveler only upon liquidation, otherwise, the 10% will be forfeited.
			Per FY 2001 single audit: To date, the Company has not been able to adequately monitor adherence to its travel policies. The same condition was identified as Finding No. 01-1 for financial statements.
<i>Vouchers Payable</i>			
10. Established procedures should be adhered to. Vouchers payable should be reconciled to general ledger monthly.	PSS	Resolved	Enhanced effort was already made to perform reconciliation between subsidiary ledger and the general ledger on a monthly basis. This was subsequently corrected as there was no finding identified with the same condition in the fiscal year 2000 audit.
<i>Encumbrances</i>			
11. I recommend that management review the items in the encumbrance ledger to ensure that the encumbrances are properly recorded and valid.	PSS	Resolved	PSS was able to provide the related documents on these encumbrances to ensure that they were properly recorded and valid.
<i>Accounts Receivable</i>			
12. Established procedures should be adhered to. Accounts receivable-CNMI should be reconciled to general ledger monthly.	PSS	Resolved	Accounts receivable-CNMI represents the remaining balance to transfer. This is the total CNMI transfer received versus the allotted amount. Enhanced effort was made to perform reconciliation as subsequently corrected in the 2000 audit.
<i>Due To/Due From Accounts</i>			
13. PSS should establish internal control policies and procedures to ensure that Interfund transactions and journal entries are posted in a timely manner and account balances are reconciled on a monthly basis.	PSS	Resolved	Under JDE accounting system, interfund accounts are automated, posting interfund adjustments is discouraged by the system. This was subsequently corrected in the fiscal year 1999 audit.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<i>Federal Programs</i>			
14. We recommend that all documents be appropriately retained [Childcare and Development Block/CFDA #93.575].	PSS	Unresolved	The employee contract was not included with the Notification of Personnel Actions from a period of two years from 2/12/97 to 5/19/99. An employee file checklist has been established to keep files in order and to ensure that they are complete with the proper required documents.
15. We recommend that all documents be appropriately retained [Headstart Program/CFDA #93.600].	PSS	Unresolved	Enhanced efforts will be made to ensure that files are organized and more complete. An employee file checklist is now required to be included in the employee's file to ensure that PSS is in compliance and meets the established policies and procedures.
16. Adherence to established policies and procedures, increased administrative oversight, the use of standardized forms, following the State Plan and applicable federal regulations, developing a checklist to be included in each student file, and following a set organizational scheme for the documents in the student files to facilitate easy retrieval [Special Education Program/CFDA #84.027].	PSS	Unresolved	Enhanced efforts are being made to ensure that established policies and procedures are being adhered to. Per FY 2001 Single Audit: This was subsequently corrected, as there was no finding identified with the same condition in the fiscal year 2001 audit.
17. The SEA should enforce existing internal policies and procedures and comply with the requirements of the State Plan [Special Education Program/CFDA #84.027].	PSS	Unresolved	As indicated on the auditee's response and corrective plan, sites visits will be conducted to review the IEP's on a cyclical basis. Two schools per month will be reviewed and it would be the data clerk who will determine the selection of the schools. Consideration as to the size and number of students per school will determine the review schedule. Reviews are scheduled to begin in September 2002 through May 2003.
18. The Special Education Program should comply with the requirements of the CNMI State Plan and federal regulations by signing MOU's with	PSS	Unresolved	The same condition was identified as Finding No. 01-19. As indicated on its auditee's response and corrective action plan, PSS is

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
appropriate agencies [Special Education Program/CFDA #84.027].			obligated by federal law to provide services for any and all children with disabilities in the CNMI free of charge, there is no federal saying agreements must be signed. If an MOU for a specific student with a specific agency becomes necessary and there is reasonable expectation to receive compensation, PSS will draw up an MOU to meet the needs of the student.
19. PSS should develop policies and procedures to ensure that all documents supporting eligibility are submitted by each applicant. Additionally, the eligibility application should contain a space for the signature of the Child Care Coordinator. The CNMI State Plan dated 10/1/97 - 9/30/99, Part 4 (4.1) states: <i>"The eligibility determination is made by our Child Care Coordinator."</i> The form currently in use leaves in question the identity of the individual that is making the determination of eligibility [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	The same condition was identified in the fiscal year 2001 audit as Finding No. 01-5. PSS agrees to this finding and enhanced effort to review, monitor and update the files of each recipient on a quarterly or annual basis will be made in compliance with the administrative requirements indicated.
20. PSS should develop policies and procedures to ensure that the master participant list, applicant files, and childcare provider files are periodically monitored and reconciled [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	Enhanced effort to review, monitor and update the files of each recipient on a quarterly or annual basis was made in compliance with the administrative requirements indicated. There was no finding of the same condition identified in the fiscal year 2001 and 2000 audit.
21. PSS should collaborate with the Department of Community and Cultural Affairs in developing day care licensing regulations for the CNMI and there should be a signed Memorandum of Understanding between the two agencies. Additionally, PSS should develop and enforce an internal monitoring program that encompasses periodic visits to licensed day care facilities that are providing childcare to children whose parents are receiving	PSS	Resolved	The Special Education program of PSS ensures that all providers are licensed prior to issuance of purchase order of the Business Office for payment. There was no finding of the same condition identified in the fiscal year 2000 audit.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
childcare certificates [Childcare & Development Block Grant/CFDA #93.575].			
22. PSS should establish stringent policies and controls to ensure that all children in the Head Start program receive timely and complete medical and dental evaluations as required by 45 CFR §1304.3-3 and the CNMI Head Start General Health Services Written Plan, FY 1997-98. Furthermore, PSS should develop policies and monitoring procedures to ensure that all of the necessary documentation is received before a child is enrolled in the Head Start Program [Head Start Program/CFDA #93.600].	PSS	Unresolved	As identified on its auditee's response and corrective plan, enhanced effort to monitor all necessary documentation of each child enrolled within the Headstart program. A memorandum dated 4/1/02 was issued to program managers enforcing administrative compliance, participants receiving this program are to be monitored, reviewed and updated annually.
23. PSS should establish stringent controls and implement written policies and procedures governing the control over property, equipment, and supplies. Annual inventories should be performed and accountability should be maintained. Additionally, the Procurement Office and the warehouse receiving areas should be located closely enough so that management oversight can be handled with ease and personnel resources utilized in a more efficient manner [Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Resolved	PSS receives many ordered books throughout the year, some of which are returned if the school does not accept or use the book. Vendors do not accept any returned books with labels. Thus, Procurement Office will not label the books as property of PSS until they reach the final destination, which is at the school level. The principal is responsible for maintaining control of instructional materials. PSS will maintain its fiscal option of returning the books unlabeled and unopened until the school takes control of its purchases.
24. PSS should follow established local and federal procurement rules and regulations for procurements that exceed the small purchase threshold [Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Resolved	PSS has provided the supporting competitive bidding and other proposals for the lease of school buses for the specified transaction and noted no exception on the examination of the documents.
25. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented. These transactions should be supported by a requisition, purchase order, invoice, check voucher and receiving report and should be attached and filed	PSS	Resolved	PSS provided the supporting documents such as contracts and purchase orders for the specified transaction. There was no finding of the same condition identified in the fiscal year 2000 audit.

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

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

Reporting

33. I recommend the annual Single Audit should be contracted prior to year-end [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY 1992 Single Audit)	Through the multi-year <i>Request for Proposal</i> for the Single Audit, PSS would be able to be current in the annual agency audit.
			The same condition was identified as Finding No. 01-10 in the fiscal year 2001 audit.

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
34. PSS should establish internal control policies and procedures over procurement and disbursements to ensure that all transactions are properly documented [Child Care Development Block Grant/CFDA #93.575].	PSS	Resolved	PSS provided purchase orders and check vouchers in support of the identified disbursements. Documents were examined and noted no exception.
35. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Unresolved	Enhanced efforts were made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference.
36. PSS should prepare and retain all required federal financial reports [Handicapped State Grant/CFDA #84.027A].	PSS	Unresolved (Outstanding since FY 1996 Single Audit)	Enhanced effort was already made to prepare and retain all required reports. In fiscal year 2001 and 2000 audits, PSS was found to be in adherence to the federal reporting requirements.
37. PSS should adhere to reporting deadlines. I additionally recommend that appropriate adjustment be performed in a timely manner [Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	Enhanced efforts were made to submit the required financial reports in a timely manner and reconcile records for all amounts reported to grantor agency. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. The Federal Program Office is now assigned to prepare the federal required reports. In the fiscal year 2001 and 2000 audits, the cumulative expenditures reported per SF-269 in 2000 ties up with the amount in the general ledger and PSS was found to be in adherence to the federal reporting deadlines.
38. I recommend that PSS properly document the filing of federal financial reports and reconcile records for all amounts reported to grantor agency [Head Start Program/CFDA #93.600].	PSS	Unresolved	Enhanced efforts were made to properly document the filing of federal financial reports and reconcile records for all amounts reported to grantor agency. The attachment of a copy of the general

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
<p>39. PSS should reconcile records for all amounts reported to the grantor agency and perform appropriate adjustments on a timely basis [Childcare & Development Block Grant/CFDA #93.575].</p>	PSS	Unresolved	<p>ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. In the fiscal year 2001 and 2000 audits, the cumulative expenditures reported per PMS-272 in 2000 ties up with the amount in the general ledger and filing of federal financial reports is properly documented.</p>
Federal Financial Reports			
<p>40. PSS should reconcile records for all amounts reported to the grantor agency [Handicapped State Grant/CFDA #84.027].</p>	PSS	Unresolved	<p>Enhanced efforts were made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. This was subsequently corrected in the fiscal year 2001 and 2000 audits.</p>
<p>41. PSS should reconcile records for all amounts reported to the grantor agency and perform any transfers between grant years on a timely basis [Nutrition Assistance Grant/CFDA #10.555].</p>	PSS	<p>Unresolved (Outstanding since FY 1995 Single Audit)</p>	<p>Enhanced efforts were made to ensure that the amounts reported to the grantor agency reconciles with the general ledger. The attachment of a copy of the general ledger as a supporting document on the financial reports on file minimizes the occurrences of this condition and would also serve for future reference. In the fiscal year 2001 and 2000 audits, the cumulative expenditures reported per SF-269</p>

Recommendation	Agency to Act	Current/Prior Year Status	Agency Response/ Corrective Action Plan
			ties up with the amount in the general ledger.
Property & Equipment			
42. I recommend that appropriate accounting policies and procedures be established for fixed assets [All Federal Grants].	PSS	Resolved (Outstanding since FY 1989 Single Audit)	As indicated in Finding 00-1, PSS was able to update its detailed fixed asset ledger. They have complied with the federal requirements for all equipments purchased with federal funds as indicated in the Office of Management and Budget Circular A-102.

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

Date(s) of followup letter(s) sent : 8/20/01, 8/1/03, 9/3/03 (J. Scott Magliari re: PSS response)

Date(s) of response letter(s) received : 8/20/03, 10/2/03 (J. Scott Magliari)

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
Purchases/Disbursements			
1. PSS should implement procedures to ensure adherence to procurement policies.	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	PSS moved in 1996 and some documents were misplaced. In the future, extra efforts will be made to file supporting documentation promptly and maintain these files.
External Financial Reporting			
2. PSS should only make adjustments to the opening fund balance when a material prior period error is noted.	PSS	Unresolved	
Inventory			
3. PSS should improve internal controls over inventory by using prenumbered receiving reports and inventory issuance slips, and maintaining	PSS	Unresolved (Outstanding since FY 1995 Single Audit)	Inventories were directly expensed to the appropriate expenditure accounts at cost at the time of acquisition during fiscal year 1997. The

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
<p>subsidiary ledgers or stock cards to facilitate reconciliation of year end inventory balances. Written inventory instructions should be distributed to PSS personnel involved in inventory counts to ensure accurate and consistent counts.</p>			<p>Procurement Office of PSS is conducting an inventory of all assets and is in the process of upgrading its system of accounting for inventories.</p>
Payables and Accrued Liabilities			
<p>4. PSS should establish policies and procedures to produce appropriate financial reports after the closing of an accounting period.</p>	PSS	Unresolved	<p>Enhance efforts to prepare monthly reconciliation/schedule at the end of the fiscal year.</p>
Encumbrances			
<p>5. Management should review the items in the encumbrance ledger to ensure that the encumbrances are properly recorded and valid.</p>	PSS	<p>Unresolved (Outstanding since FY 1995 Single Audit)</p>	<p>This is a document-filing problem that may require changes both in personnel and procedures to satisfactorily correct.</p>
Allowable Costs/Cost Principles			
<p>6. PSS should maintain adequate documentation in compliance with the PSSPRR for purchases and ensure that these documents are appropriately retained [U.S. Department of Agriculture/Nutrition Assistance Grant/CFDA #10.555].</p>	PSS	Resolved	<p>The Procurement Office has provided the identified contracts for review, the details of vendor selection and other proposals, and the justification for the emergency procurement and increase on price of the contracts. No exception was noted during the examination of documents.</p>
<p>7. PSS should comply with the PSS Procurement Rules and Regulations and ensure that the documents are safeguarded from loss [U.S. Department of Education/ Handicapped State Grant/CFDA #84.027].</p>	PSS	Unresolved	<p>This is a document retention problem. The documents were accidentally detached and lost during packing and/or re-filing when the Fiscal Office was relocated to the Nauru Building. Enhanced efforts will be made to file all supporting documentation for expenditures and secure these documents numerically filed in locked filing cabinets.</p>
<p>8. PSS should properly maintain all records [U.S. Department of Education/Handicapped State</p>	PSS	Unresolved	<p>The Human Resources Office (HRO) lost the personnel details for this employee in the relevant pay period.</p>

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
Grant/CFDA #84.027].			They were unable to verify the education and experience of the individual, which are the determining factors in computing the rate of pay. HRO will develop computerized files for each employee that are maintained on both hard and floppy discs in addition to the original signed hard copy that constitutes the employee master file.
9. All documents should be appropriately retained [U.S. Department of Education/ Consolidated Grant to Insular Areas/CFDA #84.998].	PSS	Unresolved	The Human Resources Office (HRO) lost the personnel details for this employee in the relevant pay period. They were unable to verify the education and experience of the individual, which are the determining factors in computing the rate of pay. HRO will develop computerized files for each employee that are maintained on both hard and floppy discs in addition to the original signed hard copy that constitutes the employee master file.
10. PSS should comply with the PSS Procurement Rules and Regulations [U.S. Department of Health and Human Services/Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	This is a document retention problem. The documents were accidentally detached and lost during packing and/or re-filing when the Fiscal Office was relocated to the Nauru Building. Enhanced efforts will be made to file all supporting documentation for expenditures and secure these documents numerically filed in locked filing cabinets.
Eligibility			
11. PSS should establish stringent controls to ensure all required documents of eligibility are submitted by each applicant [U.S. Department of Health and Human Services/Admin. Child, Youth & Family/Head Start Program/CFDA #93.600].	PSS	Unresolved (Outstanding since FY1995 Single Audit)	This is a document retention problem that has been exacerbated by the Headstart Program moving three times in the last three years. Enhanced efforts are being made to ensure that child enrollment documents are properly filed and maintained in a locked file.
			The same condition was identified in the fiscal year 2001 audit as Finding No. 01-6.

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
12. PSS should implement policies and procedures that will control access to and improve custodianship of participant files [U.S. Department of Health and Human Services/ Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	PSS concurs and has implemented standard operating procedures under the Child Care Program. The same condition was identified in the fiscal year 2001 audit as Finding No. 01-5.

Reporting

13. PSS should prepare and retain an annual report [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	PSS has subsequently prepared an annual report for fiscal year 1997.
14. PSS should contract its annual Single Audit prior to year-end [Nutrition Assistance Grant/CFDA #10.555].	PSS	Unresolved (Outstanding since FY1992 Single Audit)	PSS has already issued the audit RFP for FY 1998 and 1999. The same condition was identified in the fiscal year 2001 audit as Finding No. 01-10.

Special Tests and Provisions

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

16. PSS should properly document the filing of federal financial reports [Head Start Program/CFDA #93.600].	PSS	Unresolved	Beginning the fiscal year 1998, the preparation of reports and monitoring of federal reporting requirements were transferred from the Fiscal & Budget office to the Federal Programs office. There was no finding with the same condition was identified in the fiscal year 2000 audit.
17. PSS should adhere to reporting requirements [Micro Impact Aid/CFDA #15.875].	PSS	Unresolved	This is a document retention problem. Enhanced efforts will be made by procurement staff to retain

Recommendation	Agency to Act	Prior Year Status	Agency Response/ Corrective Action Plan
<i>Allowable Costs/Cost Principle</i>			documentation that shows compliance with established federal reporting procedures. This was subsequently corrected in the 2001 and 2000 audits.
18. PSS should maintain adequate documentation for purchases and ensure that the documents are safeguarded from loss [Childcare & Development Block Grant/CFDA #93.575].	PSS	Unresolved	This is a document retention problem. The documents were accidentally detached and lost during packing and/or re-filing when the Fiscal Office was relocated to the Nauru Building. Enhanced efforts will be made to file all supporting documentation for expenditures and secure these documents numerically filed in locked filing cabinets.
<i>Equipment and Real Property Management</i>			
19. PSS should establish appropriate accounting policies and procedures for fixed assets [All Federal Grants].	PSS	Resolved	As indicated in Finding 00-1, PSS was able to update its detailed fixed asset ledger. They have complied with the federal requirements for all equipments purchased with federal funds as indicated in the Office of Management and Budget circular A-102.

Workmen's Compensation Commission

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

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

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

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

APPENDIX A**Acronyms Used**

ABE	Adult Basic Education
ACF	Administration for Children and Families
AGIU	Attorney General's Investigative Unit
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
BOT	Board of Trustees
BPL	Board of Public Lands
CAO	Carolinian Affairs Office
CDA	Commonwealth Development Authority
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CGECU	Commonwealth Government Employees Credit Union
CHC	Commonwealth Health Center
CIP	Capital Improvement Projects
CJIS	Criminal Justice Information System
CMC	Commonwealth Code
CNMI	Commonwealth of the Northern Mariana Islands
CNMI-PR	Commonwealth of the Northern Mariana Islands - Procurement Regulations
CPA	Certified Public Accountant
CPA	Commonwealth Ports Authority
CSC	Civil Service Commission
CUC	Commonwealth Utilities Corporation
DCCA	Department of Community and Cultural Affairs
DCD	Development Corporation Division
DDC	Developmental Disabilities Council
DFW	Division of Fish and Wildlife
DLNR	Department of Lands & Natural Resources
DOC	Department of Commerce
DOF	Department of Finance
DOI	Department of the Interior
DOLI	Department of Labor and Immigration
DPH	Department of Public Health
DPL	Division of Public Lands
DPS	Department of Public Safety
DPW	Department of Public Works
EMO	Emergency Management Office

FASB	Financial Accounting Standards Board
FLSA	Fair Labor Standards Act
FMS	Financial Management System
FTE	Full Time Employment
FY	Fiscal Year
GASB	Government Accounting Standards Board
GHI	Government Health Insurance
GHLIB	Government Health and Life Insurance Branch
GHLITF	Government Health and Life Insurance Trust Fund
GOV	Office of the Governor
HOUSEREP	House of Representatives
HRO	Human Resources Office
HRPP	Human Resources Policies and Procedures
HUD	Housing and Urban Development
IEP	Individualized Educational Plan
JDE (system)	J.D. Edwards (system)
LEA	Local Educational Agency
LEG	Legislature
LEGBUREAU	Legislative Bureau
LIBCOUNCIL	Library Council
LT	Letter Report
MHS	Marianas High School
MOU	Memorandum of Understanding
MPLA	Marianas Public Lands Authority
MPLC	Marianas Public Land Corporation
MPLT	Marianas Public Land Trust
MVA	Marianas Visitors Authority
MVB	Marianas Visitors Bureau
NAP	Nutrition Assistance Program
NIMO	Northern Islands Mayor's Office
NMC	Northern Marianas College
NMHC	Northern Marianas Housing Corporation
NMI	Northern Mariana Islands
NMI-GHLITF	Northern Mariana Islands Government Health and Life Insurance Trust Fund
NMIRF	Northern Mariana Islands Retirement Fund
OMB	Office of Management and Budget
OPA	Office of the Public Auditor
OPL	Office of Public Lands
OPM	Office of Personnel Management
P&S	Procurement & Supply
PDO	Public Defender's Office
PIEI	Pacific Islands Education Initiative
PMS	Payment Management System
PO	Purchase Order
PSSRR	Personnel Service System Rules and Regulations

PSS	Public School System
PSSPRR	Public School System Procurement Rules and Regulations
RFP	Request for Proposals
RHC	Rota Health Center
RMC	Rota Municipal Council
RMO	Rota Mayor's Office
SAA	Special Assistant for Administration
SEA	State Educational Agency
SF	Standard Form
SMC	Saipan Municipal Council
SMO	Saipan Mayor's Office
SPED	Special Education
SPMC	Supreme Court
SPRC	Superior Court
SY	School Year
TA	Travel Authorization
TCGCC	Tinian Casino Gaming Control Commission
TMC	Tinian Municipal Council
TMO	Tinian Mayor's Office
TRACS (system)	Tenant Rental Assistance Certification System
TSD	Technical Services Division
TV	Travel Voucher
US	United States
WASC	Western Association for Schools and Colleges
WCC	Workmen's Compensation Commission
WRO	Washington Representative's Office
WSR	William S. Reyes

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