

Report on CNMI Agencies' Implementation of  
**Audit Recommendations**  
March 1998

**Office of the Public Auditor**  
Commonwealth of the Northern Mariana Islands



## **Public Auditor's Message**

### **To the Interagency Audit Coordinating Advisory Group**

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

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

Open or resolved audit recommendations were included in OPA's tracking system. An *open* recommendation is one where no action or plan of action has been made by the client (department or agency). A *resolved* recommendation is one in which OPA is satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame for action. 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.

From July through December 1997, OPA tracked 199 audit recommendations in 41 final reports issued to various departments and agencies of the Commonwealth Government during the year and outstanding from previous years. Of the 199 audit recommendations, 23 are closed and 176 are either open or resolved. Of the 176 open or resolved recommendations, 126 are considered delinquent.

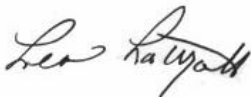
We have also included in the tracking system, recommendations issued by private CPA firms. As of 1997, CPA firms completed and issued audit reports on the internal control structure and compliance with laws and regulations. For these audits, CPA firms made 69 recommendations, 5 of which are closed and 64 are either open or resolved. Of the 64 open or resolved recommendations, 28 are considered delinquent.

In 1996, due to the large number of delinquent recommendations, we requested assistance from the Coordinating Group in enforcing the auditee's compliance with the audit recommendations. Although several options are available to ensure compliance by the auditee, we suggested that initially an official from the Governor's Office could be

designated the responsibility to pursue the closure of open and resolved recommendations, especially those that are delinquent. The suggestion was not considered, however, because the Coordinating Group members did not hold any discussion, and no recommendation was made to the Governor.

Implementation of audit recommendations improved in 1996 through June 1997. At the end of 1997 however, delinquent recommendations in OPA audit reports increased to 126 from 35 as of June 1997. Of special mention are recommendations in audits listed in **Appendix A** which have been outstanding since 1994 and 1995.

Due to the increase in delinquent recommendations, we are once again seeking the assistance of the Coordinating Group in enforcing compliance from the auditees with the audit recommendations. As we previously suggested, we believe that the designation of an official from the Governor's Office to pursue the closure of open or resolved recommendations would result in better implementation of audit recommendations.



Leo L. LaMotte  
CNMI Public Auditor

April 30, 1998

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# Executive Branch Offices

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

# Office of the Governor

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

Date(s) of followup letter(s) sent : 7/09/97, 11/12/97, 2/02/98  
Date(s) of response letter(s) received : 8/26/97 (M/HLO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>2. The Liaison Officer should coordinate with the Secretary of Public Health to develop and implement written policies and procedures on ticket upgrades, hotel accommodations, and funeral services.</p>	M/HLO and DPH	Resolved Delinquent	<p>The Liaison Officer stated that on (1) ticket upgrade, DPH should amend the newly adopted Medical Referral policy on transportation costs to authorize upgrade through doctor's recommendation with concurrence of the Medical Referral Office; (2) hotel accommodations, consultation with the Secretary of Public Health has been made; and (3) funeral services, the authority on this matter rests with the Secretary of Public Health; the Liaison Officer, however, supports a written guideline disallowing payment for all funeral services or limiting it to embalming and shipping only. The Liaison Officer provided the Secretary of Public of Health a copy of his letter response to OPA.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Public Health should provide OPA with a copy of the written policies and procedures on ticket upgrades, hotel accommodations and funeral services.</p>
<p>4. <i>As Redirected to AGO</i> - Investigate and, if necessary, take steps to recover the amounts reimbursed without adequate supporting documents from the responsible officials and employees. Any action taken in this regard should be written and documented.</p>	AGO	Resolved Delinquent	<p>The Liaison Officer responded that the authority on investigating this matter rests with DOF and the Attorney General's Office. On August 26, 1997, the Liaison Officer provided OPA copies of the March 4, 1997 referral letter and July 14, 1997-follow-up letter to the Attorney General's Office.</p> <p><i>Further Action Needed</i></p> <p>The Attorney General's Office should provide OPA with a copy of their referral</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
5. The Secretary of Finance should develop and implement written policies and procedures which require that all travel and related extensions be supported by specific itineraries and covering dates.	DOF	Resolved Delinquent	<p>letter to AGO and, subsequently, advise OPA of the results of AGO's actions.</p> <p>The Secretary of Finance concurred with the recommendation, and provided us a copy of his January 29, 1997-memorandum directing the Director of Finance &amp; Accounting to develop written policies and procedures requiring travel and related extensions to be supported by specific itineraries and dates.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of these policies and procedures.</p>
6. The Secretary of Finance should issue a directive to the DOF-Travel Section to identify all long- outstanding travel advances granted by M/HLO to government officials and employees, and initiate collections through salary deductions.	DOF	Resolved Delinquent	<p>The Secretary of Finance concurred with the recommendation, and provided us a copy of his January 29, 1997-memorandum directing the Director of Finance &amp; Accounting to identify all long-outstanding travel advances granted by M/HLO to government officials and employees and initiate collections through salary deductions.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with the results of Finance &amp; Accounting's actions.</p>
7. The Secretary of Finance should instruct the DOF-Travel Section to follow up collection of excess travel advances from the two non-government employees. Written policies and procedures regarding follow up and collection of long- outstanding advances from non-government employees should also be developed and implemented.	DOF	Resolved Delinquent	<p>The Secretary of Finance concurred with the recommendation, and provided us a copy of his January 29, 1997-memorandum directing the Director of Finance &amp; Accounting to follow up collection of excess travel advances from the two non-government employees, and develop written policies and procedures regarding follow up and collection of long-outstanding advances from non-government employees.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with the results of Finance &amp; Accounting's actions.</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>10. The Secretary of Finance should develop and implement an accounts receivable subsidiary ledger system that can readily provide the status (<i>i.e.</i>, current or past-due) and outstanding balances of amounts owed by individuals.</p>	DOF	Resolved Delinquent	<p>The Secretary of Finance stated that DOF is currently in the process of installing a new financial management system that includes an automated accounts receivable subsidiary module. The system should be installed and in use by October 1, 1997. The system is also expected to enable maintaining detailed accounts receivable balances, as well as automating the billing and posting process.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should notify OPA when the new financial management system is already operational and provide OPA a copy of the manual describing the automated accounts receivable subsidiary module.</p>
<p>11. The Secretary of Finance should assign a DOF staff member to verify the status of receivables from two families for funeral expenses amounting to \$2,183 and \$3,316, respectively, and pursue collection if still outstanding.</p>	DOF	Resolved Delinquent	<p>The Secretary of Finance concurred with the recommendation, and provided us a copy of his January 29, 1997-memorandum directing the Director of Finance &amp; Accounting to assign a staff member to follow up on the specific receivables noted in the report.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with the results of Finance &amp; Accounting's actions.</p>
<p>12. The Secretary of Finance should establish written policies and procedures to resolve and adjust bank reconciling items in a timely manner.</p>	DOF	Resolved Delinquent	<p>The Secretary of Finance concurred with the recommendation and stated that the conditions noted in the audit had already been corrected. There is an on going project to document all DOF policies and procedures, and the Reconciliation Section is to be included. A copy will be provided to OPA when completed.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with the copy of these policies and procedures.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>13. The Secretary of Finance should instruct the DOF - Reconciliation Branch and the appropriate DOF division/section (<i>i.e.</i>, Treasury and Accounts Payable) to coordinate and take action to facilitate the adjustment of the outstanding reconciling items in the M/HLO operations and medical referral imprest fund bank accounts. Also, investigate the status of the \$1,000 insufficient funds check of Pan Korea Enterprises and pursue collection, if necessary.</p>	DOF	Resolved Delinquent	<p>The Secretary of Finance responded that various DOF divisions are coordinating their efforts to facilitate resolution of bank reconciliation adjustments. The Reconciliation Section will investigate the status of the Pan Korea Enterprises returned check; however, since this item is long-outstanding, DOF's ability to determine its status and seek remedy may be limited.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with the results of Reconciliation Section's actions.</p>
<p>14. The Secretary of Finance and the Liaison Officer should contact IRS in writing to discuss and resolve concerns on (a) nonwithholding of federal employment taxes on housing allowance paid to M/HLO employees from January 1990 to April 1994, (b) nonwithholding of employees' share and nonpayment of both employees' and employer's share of Medicare taxes from January 1990 to June 1992, and (c) nonpayment of Federal Unemployment Tax from 1990 to 1993.</p>	DOF and M/HLO	Resolved Delinquent	<p>The Secretary of Finance and the Liaison Officer concurred with the recommendation. The Liaison Officer has provided the Secretary of Finance with the details of payments made to M/HLO employees during the period in question. The Secretary's Office, with the assistance of the Director of Revenue &amp; Taxation, will use the information to formulate a written request to the IRS for a determination of any potential liabilities.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of the letter to IRS.</p>
<p>15. The Secretary of Finance and the Liaison Officer should contact the State of Hawaii's Department of Taxation in writing to discuss and resolve concerns on nonwithholding of state employment taxes from the housing allowances of M/HLO employees from January 1990 to April 1994, and the salaries and benefits of the M/HLO liaison officer from 1990 to 1994.</p>	DOF and M/HLO	Resolved Delinquent	<p>The Secretary of Finance and the Liaison Officer concurred with the recommendation. The Liaison Officer has provided the Secretary of Finance with the details of payments made to M/HLO employees during the period in question. The Secretary's Office, with the assistance of the Director of Revenue &amp; Taxation, will use the information to formulate a written request to the State of Hawaii's Department of Taxation for a determination of any potential liabilities.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of the letter to the State of</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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Hawaii's Department of Taxation.

**2. Report No. AR-97-11 issued August 12, 1997  
Procurement of Professional Services from MBG Management Services, Inc. of the Office of the Special Assistant for Drug and Substance Abuse**

Date(s) of followup letter(s) sent : 2/02/98

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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1. Take administrative action, and/or refer to the Attorney General's Office for possible action, against the Special Assistant for Drug and Substance Abuse for violations of the CNMI Procurement Regulations. Such action includes but is not limited to reprimand, suspension without pay, termination of employment, a civil injunction, civil suit for damages or return of government money, or criminal prosecution (in accordance with Section 6-211 of the Procurement Regulations).	GOV	Resolved Active	In his response, the Governor said he is willing to consider reasonable recommendations about appropriate actions to be taken with regard to the Special Assistant. Furthermore, he stated that after he had received OPA's initial report on this contract, he revoked the Special Assistant's expenditure authority and transferred it to his Special Executive Assistant. The Governor stated, however, that this action did not solve the previous error in the administration of the contract.
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*Further Action Needed*

We have already begun consultations with the Governor's staff regarding actions to be taken against the Special Assistant. The Governor should provide OPA a copy of the document showing the administrative action to be taken against the Special Assistant and/or copy of the results of AGO's review of the case.

2. Establish a certification program for contracting officers and expenditure authorities to assist them in carrying out their duties. The program should include awareness of all laws and regulations impacting the responsibilities of expenditure authorities, including the CNMI Procurement Regulations and the CNMI Ethics Code Act.	GOV	Open Active	The response did not address the recommendation.
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*Further Action Needed*

The Governor should provide OPA a copy of the specific plan of action to establish a certification program for contracting officers and expenditure authorities.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. Appoint the Director and Addiction Specialist and the therapist from the CNMI Mental Health and Social Services to evaluate the effectiveness of the Drug and Substance Abuse program. They should (a) determine whether MBG was able to train supervisors to be qualified trainers for further training of other government personnel as originally planned under the MBG contract, and (b) identify the trained supervisors and provide OPA their names for reference purposes.</p>	GOV	Open Active	<p>The response did not address the recommendation.</p> <p><i>Further Action Needed</i></p> <p>The Governor should provide OPA copies of the (1) appointment letters of the Director and Addiction Specialist and the therapist to evaluate the effectiveness of the Drug and Substance Abuse program and (2) results of evaluation.</p>
<p>4. Stop payment of the additional billing of \$11,530 for work performed under the original contract after it was canceled. The billing should be disregarded for violation of the CNMI Procurement Regulations. The authorizing officials should be held responsible for any payment.</p>	DOF	Open Active	<p>The Secretary of Finance stated that this payment has not been made and any payments on this contract will be held until AGO completes its investigation.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA copies of the (1) directive instructing DOF-Finance &amp; Accounting to stop payment of the additional billing of \$11,530 for work performed under the original contract after it was canceled, and (2) letter informing the Contractor that the billing is being disregarded.</p>
<p>5. Reduce any future payments to MBG by \$21,365, which was paid in excess of the firm fixed price. In particular, the \$21,365 should be offset against the \$10,584 (under PO P68172) and \$12,309 (supplemental contract C70199) which are valid unpaid billings by the Contractor</p>	DOF	Open Active	<p>The Secretary of Finance stated that the AGO disagreed with the recommendation. Further, AGO instructed DOF to release the payments due on other contracts with the vendor while it is continuing to investigate the status of the disputed contract.</p> <p><i>Further Action Needed</i></p> <p>It is proper for the CNMI to withhold payment of \$22,893 unpaid billings to the Contractor (covered by purchase order and supplemental contract) as this is necessary to recover the earlier \$21,365 overpayment to the Contractor. The AGO's claim that the two pending invoices are separate contractual obligations from the original contract is not correct. The purchase order and</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p>supplemental contract were used only because no change orders to the original contract were possible, that contract having been canceled. For this reason, it makes sense for the CNMI to withhold payment of so much of MBG's claim as is necessary to recover for the earlier overpayment to the Contractor. The CNMI would be justified in paying MBG only \$1,528.</p> <p>The Secretary of Finance should reconsider and implement our recommendation by withholding payments to MBG except for the net difference of \$1,528 (\$22,893 unpaid billings less \$21,365 overpayment to the Contractor).</p>

**3. Report No. AR-97-12 issued December 10, 1997**  
**Investigation on Lack of Fiscal Control in Food Service Operations at the Emergency Management Office During the Emergency Detonation of Unexploded Depth Charges in Rota**

Date(s) of followup letter(s) sent : 2/02/98  
 Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. Develop and implement written policies and procedures for procurement of goods and services under emergency.</p>	EMO	Open Active	<p>In his response, the Director of EMO commented that Recommendation 1, suggesting there be policy on the procurement of supplies, goods and services under emergency conditions, should be addressed instead to the Director of Procurement and Supply. The Director of EMO believes that all procurement matters should be embodied in the CNMI Procurement Regulations, and that any change involving procurement of supplies, services and other goods under emergency conditions should be implemented in the Procurement Regulations for all types of scenarios.</p>

*Further Action Needed*

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. Designate in writing a specific person to review and sign for food services during daily emergency operations.	EMO	Open Active	<p>The Director of EMO should reconsider implementing written policies and procedures for the procurement of goods and services under emergency conditions, for EMO's internal use. The Director of EMO should provide OPA a copy of the written policies and procedures.</p> <p>The response did not address the recommendation.</p> <p><i>Further Action Needed</i></p> <p>The Director of EMO should provide OPA a copy of the document designating a specific person to review and sign for food services.</p>
3. Amend the Emergency Operations Plan to include policies and procedures for the procurement of goods and services under emergency conditions.	EMO	Open Active	<p>The response did not address the recommendation.</p> <p><i>Further Action Needed</i></p> <p>The Director of EMO should reconsider the recommendation and provide OPA a copy of the amended Emergency Operation Plan.</p>
4. Require EMO to prepare a financial plan under all circumstances and to submit a list of personnel that will be involved in the emergency operations.	Governor	Open Active	<p>The response did not address the recommendation.</p> <p><i>Further Action Needed</i></p> <p>The Governor should respond to our amended recommendation.</p>

# Department of Commerce

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

Date(s) of followup letter(s) sent : 3/7/96, 11/29/96, 12/3/96, 2/02/98

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The MVB Managing Director should include a provision in employment contracts that any Board-appointed employee serves at the pleasure of the Board and may be terminated by the Board, such as in a sixty-day termination clause.</p>	MVB	Resolved Active	<p>The Managing Director responded that the MVB Board will consider our recommendation, provided however, that it is not in conflict with Executive Order 94-3 or other CNMI laws. She also stated that the MVB Board has already authorized its Managing Director and Legal Counsel to commence a review of all existing employment contracts of MVB, and to implement, when and where possible, the recommendation concerning the termination clause.</p> <p><i>Further Action Needed</i></p> <p>The MVB Board should provide OPA a copy of the directive or memorandum authorizing its Managing Director and Legal Counsel to review all the existing employment contracts of MVB, and the results of the review.</p>
<p>2. The MVB Managing Director should coordinate with the Attorney General's Office to recover the amount of \$151,180, consisting of \$81,180 paid to the former Managing Director representing damages for loss of reputation, pain and suffering and \$70,000 for loss of wages for 1995 as a result of the extension of her contract through 1996.</p>	MVB	Resolved Active	<p>The Managing Director responded that the MVB Board has authorized its Managing Director and Legal Counsel to coordinate recovery of the funds with the Attorney General's Office after receiving the final audit report from OPA.</p> <p><i>Further Action Needed</i></p> <p>The MVB Board should provide a copy of the directive or memorandum authorizing its Managing Director and Legal Counsel to coordinate recovery of the funds with the Attorney General's Office, and the results of actions taken.</p>

**2. Marianas Visitors Bureau  
Independent Auditor's Report on the Internal Control Structure  
in Accordance with Government Auditing Standards  
Year Ended September 30, 1994**

Date(s) of followup letter(s) sent : 7/18/95,9/7/95,11/19/96 (telephone follow-up), 2/02/98

Date(s) of response letter(s) received : 7/27/95,11/21/96

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The MVB Managing Director should take steps to automate the accounting function to gain efficiency.	MVB	Resolved Active	Provide copy of plan of actions to be taken for automating the accounting functions. According to Ms. Lucy Nielsen, Controller, automation will be done in Fiscal Year '97 and she will document this in writing.



# Department of Community and Cultural Affairs

**1. Report No. AR-95-02 issued January 27, 1995**  
**Carolinian Affairs Office**  
**User Fees, Scholarship Fund and Managaha Proposal**

Date(s) of followup letter(s) sent : 2/28/95, 4/6/95, 7/6/95, 7/16/96, 11/29/96, 12/3/96, 2/02/98  
 Date(s) of response letter(s) received : 4/18/95, 5/8/95, 8/11/95, 1/8/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Executive Assistant for Carolinian Affairs should publish the policy in the Commonwealth Register and file with the Registrar of Corporations and the Governor.	CAO	Resolved Delinquent	Provide copy of the policy published in the Commonwealth Register and file with the Registrar of Corporation and the Governor.
2. The Executive Assistant for Carolinian Affairs should coordinate with the Secretary of Finance to develop and implement written policies and procedures over collection and disbursement of user fees. The policies and procedures should describe the circumstances when collections should be deposited in a bank and the purposes for which disbursements can be made and ensure that payments are authorized in advance.	CAO	Resolved Delinquent	Provide copy of the written policies and procedures over collection and disbursement and a copy of the memorandum directing implementation.
3. The Executive Assistant for Carolinian Affairs should meet with and recover from the Overall Chairman former Executive Assistant, and former Custodian the \$1,035 cash shortage since all were responsible for the collection.	CAO	Open Delinquent	Provide copy of proof of payment of the \$1,035 cash shortage.
4. The Executive Assistant for Carolinian Affairs should require the Overall Chairman to request the sellers to return unsold tickets and explain in writing the disposition of any missing tickets. The Overall Chairman should then compile a report accounting for all printed tickets. The report should be kept available at CAO for review by all interested parties.	CAO	Open Delinquent	Provide copy of sellers' written responses and the Overall Chairman's report accounting for all printed tickets.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
5. The Executive Assistant for Carolinian Affairs should refund tickets sold and cash donations received from donors. For in-kind donations, send letter to donors explaining its use. Furthermore, dispose of in-kind donations deemed unfit for human consumption.	CAO	Open Delinquent	Provide copy of proof of refunds and returns of ticket costs and donations received.

**2. Report No. LT-97-01 issued January 23, 1997**

**Office of Aging**

**Missing Collections for the ManAmko Fund Raising Project Organized Through the Office of Aging**

Date(s) of followup letter(s) sent : 2/7/97, 3/13/97, 7/22/97, 2/02/98  
 Date(s) of response letter(s) received : 1/23/97, 1/28/97, 2/13/97, 3/17/97, 3/21/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. The Director of Aging should require the Program Activity Coordinator to make restitution of the \$4,000 admittedly taken from the ticket sales of ManAmko.	AGING	Resolved Active	Provide OPA a copy of the bi-weekly remittance of allotment report and the CNMI Treasury official receipt until stolen funds are fully collected by September 30, 1997.

# Department of Lands and Natural Resources

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

Date(s) of followup letter(s) sent : 7/16/96,11/29/96,12/3/96, 2/02/98  
Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of DLNR should issue a directive prohibiting employees from drawing gasoline for their personal cars at the Government gas station. Whenever the use of employees' personal cars is necessary, reimbursements should be based on the DOF-established mileage rate.	DLNR	Resolved Delinquent	The Secretary of DLNR responded that he had issued a memorandum to all DLNR Division Directors informing them that effective immediately, no private vehicles will be allowed to draw gasoline at the Government gas station.  The Secretary of DLNR should provide OPA a copy of the directive.
4. The Secretary of DLNR should require the Director of Animal Health by directive to comply with the Imprest Fund Manual policies and procedures to control Animal Health revolving fund activities. The Director of Animal Health should consider (a) transferring the function of Certifying Officer to the Director, assigning another as Disbursing Officer since review and approval were performed by the Director, and assigning alternate staff members for all functions and (b) maintaining a separate cash box for each cashier for control purposes.	DLNR	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the directive requiring the Director of Animal Health to comply with the Imprest Fund Manual policies and procedures.
5. The Secretary of DLNR should require the Director of Animal Health by directive to comply with the Animal Quarantine Rules and Regulations. Animals entering the CNMI should be quarantined pending issuance of the entry permits.	DLNR	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the directive.
6. The Secretary of DLNR should evaluate the adequacy of the existing reporting requirements to be submitted by permeates to the Division of Fish	DLNR	Resolved Delinquent	The Secretary of DLNR should provide OPA with the results of the evaluation made and a copy of amendments made to the regulations, if any.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>and Wildlife. If the evaluation finds that the reports or records are necessary, enforce submission to comply with the regulations. Otherwise, eliminate the requirements by amending the applicable provisions in the regulations.</p>			
<p>7. The Secretary of DLNR should issue a directive requiring the Forestry Section to comply with the Forestry Resources Protection Regulations, as follows: (a) to prepare a written recommendation to approve or deny application for permits, (b) to document inspections with written reports, and (c) to release forestry permits only after the permit has been signed by both the applicant and the Secretary of Lands and Natural Resources.</p>	DLNR	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the directive requiring Forestry Section to comply with the Forestry Resources Protection Regulations.
<p>8. The Secretary of DLNR should develop and implement written policies and procedures to properly manage collections.</p>	DLNR	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the written policies and procedures.
<p>9. The Secretary of DLNR should develop and implement written policies and procedures to ensure proper maintenance of permit documents.</p>	DLNR	Resolved Delinquent	The Secretary of DLNR should provide OPA a copy of the written policies and procedures.
<p>10. The Secretary of DLNR should require by directive that the Administrative Officers of the DLNR Divisions become familiar with the DOF Chart of Accounts to ensure expenditures are charged to the proper accounts.</p>	DLNR	Open Delinquent	The Secretary of DLNR should issue a directive requiring the Administrative Officers of the DLNR Divisions to become familiar with the DOF Chart of Accounts and provide OPA a copy of the directive.

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

Date(s) of followup letter(s) sent : Verbal followups made through the telephone, 11/29/96, 12/3/96, 11/20/97  
 Date(s) of response letter(s) received : 11/14/95, 6/27/96, 09/11/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original:</i> -The Secretary of DLNR should require the cardholders to reimburse MPLC for all the unallowable and unsupported credit card charges, unless they can specifically identify the charges with 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 actions (i.e., file a lawsuit) to recover the personal, unallowable, and unsupported credit card charges from the cardholders.</p>	<p>DPL - redirected to the Attorney General's Office</p>	<p>Resolved Active</p>	<p>The Secretary of DLNR and the Director of DPL responded that they will advise the cardholders in writing of their intention to recover the amount of personal, unallowable, and unsupported credit card charges.</p> <p>On 11/14/95, OPA received a copy of letter responses to the audit findings from the former Executive Director of DPL. Actions by the Attorney General, however, are not received yet.</p> <p>On September 11, 1997, the Director of DPL informed OPA that the Attorney General's Office filed a lawsuit on the three cardholders whereas the other two cardholders signed a promissory note with the AG's office for payments by month to be sent to the Division of Public Lands.</p> <p><i>Further Action Needed</i></p> <p>The Attorney General's Office should provide OPA documentation of actions taken to close the recommendation.</p>
<p>2. <i>Original:</i> The Secretary of DLNR should recover from the cardholders the amount of \$45,698.</p>	<p>DPL - Redirected to the Attorney General's Office</p>	<p>Resolved Active</p>	<p>The Secretary of DLNR and the Director of DPL responded that they will inform the cardholders/travelers in writing about DPL's intention to recover the amount of \$45,698 in double payment of travel expenses and overpaid per diem allowances.</p> <p>On September 11, 1997, the Director of DPL informed OPA that the Attorney General's Office filed a lawsuit on the three cardholders whereas the other two cardholders signed a promissory note with the AG's office for payments by month to be sent to the Division of Public Lands. The recovery of \$45,698 is already included in</p>

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 take appropriate actions (i.e., file a lawsuit) to recover from the cardholders the amount of \$45,698.</p>			<p>the lawsuit filed by the Attorney General's Office.</p> <p><i>Further Action Needed</i></p> <p>The Attorney General's Office should provide OPA documentation of actions taken to close the recommendation.</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>DPL - redirected to the Attorney General's Office</p>	<p>Resolved Active</p>	<p>The Director of DPL with the approval of the Secretary of DLNR, responded that she will evaluate the validity of official representation claimed by the former Executive Director and will inform the former Executive Director in writing of DPL's intention to recover any unjustified claims for official representation.</p> <p>The Secretary and the Director should provide OPA a copy of the results of evaluation made and if there were unjustified claims, a copy of the letter to the former Executive Director, responses, and any actions by the Attorney General.</p> <p>On September 11, 1997, the Director of DLNR informed OPA that the Attorney General's Office filed a lawsuit against the former Executive Director to collect the improper representation expenses' charges.</p> <p><i>Further Action Needed</i></p> <p>The Attorney General's Office should provide OPA documentation of actions taken to close the recommendation.</p>
<p><i>As Revised and Redirected to the Attorney General's Office -</i> The Attorney General's Office should take appropriate actions (i.e., file a lawsuit) to recover improper representation expenses' charges from the former Executive Director.</p>			<p>On September 11, 1997, the Director of DLNR informed OPA that the Attorney General's Office filed a lawsuit against the former Executive Director to collect the improper representation expenses' charges.</p> <p><i>Further Action Needed</i></p> <p>The Attorney General's Office should provide OPA documentation of actions taken to close the recommendation.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>5. The Secretary of DLNR should develop and implement written policies and procedures that clearly indicate the circumstances where official representation expenses are allowed and the manner in which it should be documented to ensure that the expenses are reasonable and incurred in the best interest of the CNMI.</p>	DPL	Resolved Active	<p>The Director of DPL, for approval by the Secretary of DLNR and the Governor, will develop written policies and procedures to define official representation and entertainment expenses and the authority and conditions governing the use of funds for these expenses.</p> <p>Based on the letter from DLNR dated September 11, 1997, the written policies and procedures will be presented to the Board of Public Lands for formal disposition.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of DLNR and the Director of DPL should provide OPA a copy of the written policies and procedures.</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 with the Government should be recovered through salary deduction. For employees/officials who no longer work for the Government, the assistance of the Attorney General should be sought to collect the outstanding balances.</p>	DPL	Resolved Active	<p>The Secretary of DLNR and the Director of DPL responded that they will determine and advise the travelers in writing of the amounts of overpaid per diem allowances and will forward any outstanding travel advances not reimbursed to DOF for collection.</p> <p>On September 11, 1997, the Director of DPL responded that there is no need for referrals to DOF because two of the cardholders pay directly to DPL and the AG's office filed a lawsuit against the other three cardholders.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of DLNR and the Director of DPL should provide OPA proof (i.e., official receipts) of collection from the two cardholders who pays directly to DPL.</p>

**3. Report No. AR-96-03 issued March 4, 1996**

**Division of Public Lands**

**Collection of Rentals on Land Leases with Hotels, Resorts, and Golf Courses**

Date(s) of followup letter(s) sent : 12/4/96, 11/20/97  
 Date(s) of response letter(s) received : 12/4/96, 12/12/96, 9/11/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The Secretary of DLNR should develop and implement written procedures to verify the accuracy of computations of gross receipts rent. The written procedures should include (a) establishing requirements for documents to be submitted by the lessees, (b) verification of the completeness of documents submitted by the lessees, (c) verification of rental computations in accordance with terms of the lease and with mathematical accuracy, (d) comparison of reported gross receipts with business gross revenue tax returns and audited financial statements, and (e) communication to lessees of any matters affecting computation of rent, the manner of payment, and other provisions of the lease related to rent.</p>	DLNR	Resolved Active	<p>On July 16, 1996, we received a draft of the procedures detailing the functions of program activities on leases, contracts, and permits. However, the final draft of the procedures was submitted to us only on September 11, 1997. The finalized procedures, according to the Director of DPL, have been implemented since December 1996. Based on the response, we consider items (a), (b), and (e) of the recommendation closed. However, items (c) and (d) remained open because they were not included in the finalized procedures.</p> <p><i>Further Action Needed</i></p> <p>To consider the recommendation closed, the Secretary of DLNR and the Director of DPL should provide OPA a copy of the written procedures addressing items (c) and (d) of recommendation 1 to be incorporated as an addendum to the existing procedures on leases, contracts, and permits.</p>
<p>3. The Secretary of DLNR should issue a memorandum instructing the DPL's Controller to (a) record the under(over) payment in each lessee's accounts receivable subsidiary ledger and books of accounts, (b) notify the lessees, in writing, of their under(over)payment of rentals, (c) review subsidiary ledgers to summarize accounts due and send billings on a regular basis, perhaps quarterly, and (d) indicate the specific months paid within the applicable quarters in the official receipts.</p>	DLNR	Resolved Active	<p>On March 21, 1996, DPL provided us a copy of the letters sent to the lessees regarding their rental under payments. Also, the Account Compliance Section was created effective July 1995 to monitor receivables. According to DPL, the Compliance Supervisor will be instructed to recognize the under(over)payment in the books, advise the lessees of unpaid rentals in writing, and monitor accounts for collection.</p> <p>On September 11, 1997, DPL provided OPA a copy of the written procedures that included written instructions to the Compliance Supervisor. This was sufficient to close items (a), (b), and (c) of</p>



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>4. The Secretary of DLNR should require DPL's Enforcement Officer to conduct visual inspections of the leased premises on a periodic basis to ensure that gross receipts of all sublessees are reported and included in the computation of gross receipts rent.</p>	DLNR	Resolved Active	<p>recommendation 3. However, item (d) is still open because it was not addressed in the written procedures.</p> <p><i>Further Action Needed</i></p> <p>To consider the recommendation closed, the Secretary of DLNR and the Director of DPL should provide OPA a copy of the written procedures addressing item (d) of recommendation 3 to be incorporated as addendum to the existing procedures on leases, contracts, and permits.</p>
<p>6. The Secretary of DLNR should issue a memorandum directing the Controller to (a)instruct its staff members to provide adequate detail in the accounts receivable subsidiary ledger for the period being paid by lessees (such as the months involved), and (b) conduct a regular review of the subsidiary ledgers to ensure accuracy and completeness of recorded transactions.</p>	DLNR	Open Active	<p><i>Further Action Needed</i></p> <p>To close the recommendation, the DLNR Secretary and the Director of DPL should provide OPA with details as to the frequency (i.e., monthly, quarterly, etc.) and extent (i.e., coverage of the inspection) in conducting inspection of leased premises.</p> <p>According to DPL, the Compliance Supervisor will be instructed to recognize the under(over)payment in the books, advise the lessees of unpaid rentals in writing, and monitor accounts for collection. To consider the recommendation closed, the DLNR Secretary should provide OPA (1) a copy of the written instruction to the Compliance Supervisor addressing items (a) and (b) of recommendation 6 and (2) copy of accounts receivable subsidiary ledger showing adequate detail of the debit and credit entries such as the specific amounts covered by the rental changes.</p>

4. Report No. AR-96-05 issued March 21, 1996

Division of Public Lands

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

Date(s) of response letter(s) received : 9/11/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. <i>Original:</i> - The Secretary of DLNR should terminate APEX's lease of the Garapan Fishing Base and instruct the DPL legal Counsel to: (a) initiate legal proceedings to collect rentals due from APEX and Ship Ashore Restaurant, (b) recover from the former NMSCI President all payments collected from H &amp; H Enterprises for the unauthorized subleasing of the Saipan Fishing Center building, as well as any rentals collected from the operators of Birdie's Restaurant, and (c) notify Ship Ashore to pay rentals directly to DPL on a month-to-month basis.</p>	<p>DLNR - redirected to the Attorney General's Office</p>	<p>Resolved Active</p>	<p>On March 10, 1998, the Attorney General's Office provided OPA documents showing collection of the \$338,910.63 representing rentals due from APEX International Corporation. However, the Attorney General's Office is still considering whether to bring action against Ship Ashore and against the former NMSCI President. In view of this, OPA only closed the portion of the recommendation pertaining to APEX.</p>
<p><i>As Revised and Redirected to the Attorney General's Office:</i> The Attorney General's Office should: (a) initiate legal proceedings to collect rentals due from APEX and Ship Ashore Restaurant, (b) recover from the former NMSCI President all payments collected from H &amp; H Enterprises for the unauthorized subleasing of the Saipan Fishing Center building, as well as any rentals collected from the operators of Birdie's Restaurant, and (c) notify Ship Ashore to pay rentals directly to DPL on a month-to-month basis.</p>			<p><i>Further Action Needed</i></p> <p>To consider the recommendation closed, the Attorney General's Office should provide OPA (1) a written report of action on rentals due from Ship Ashore as well as rentals improperly paid to the former NMSCI President, and (2) copies of payments made on collection of rentals due from Ship Ashore and recovery of rentals improperly paid to the former NMSCI President.</p>

**5. Report No. LT-96-05 issued July 29, 1996**  
**Division of Public Lands**  
**Lease Payments of Pacific Islands Club**

Date(s) of followup letter(s) sent : 12/4/96, 11/20/97  
 Date(s) of response letter(s) received : 9/11/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The Secretary of DLNR should develop and implement written procedures to verify the accuracy of computations of gross receipts rent submitted by the lessees. The written procedures should include:</p> <p>(a) Verifying rental computations in accordance with the terms of the lease, and the mathematical accuracy of the computations.</p> <p>(b) Comparing each lessee's reported gross receipts with its business gross revenue tax returns and audited financial statements.</p> <p>(c) Communicating to lessees any decisions by DPL affecting computation of rent, the manner of payment, and other provisions of the lease agreement related to rent.</p>	DLNR	Open Active	<p>On July 16, 1996, we received a draft of the procedures detailing the functions of program activities on leases, contracts and permits. The final draft of the procedures was submitted to us on September 11, 1997; however, it did not address the items (a) to (c) of this recommendation. Thus, the recommendation remained open.</p> <p>To consider the recommendation closed, the Secretary of DLNR and the Director of DPL should provide OPA a copy of the written procedures addressing items (a) to (c) of recommendation 1 to be incorporated as an addendum to the existing procedures on leases, contracts, and permits.</p>
<p>2. The Secretary of DLNR should send a letter to PIC reminding the lessee of how certain revenues and deductions should be computed for determining gross receipts rent. The following common errors may be cited and clarified in the letter:</p> <p>(a) <i>Reporting of sublessee's gross receipts to MPLC.</i> The lessee should include the gross receipts of sub lessees and other operators that provide services at the hotel, such as pay-per-view services. The related rent income or commissions received from such sublessees or operators should be deducted from gross receipts.</p>	DLNR	Open Active	<p>On September 11, 1997, DPL provided us with a copy of the letters sent to the lessees. However, the letters were broad and specific recommendations such as items (a) to (b) of recommendation 2 were not stated. Thus, the recommendation remained open.</p> <p><i>Further Action Needed</i></p> <p>To consider the recommendation closed, the DLNR Secretary should provide OPA (1) a target date for implementation, and (2) a copy of the letters sent to the lessees reminding them of how certain revenues and deductions should be computed for determining gross receipts rent pursuant to their lease agreements which should address items (a) to (b) of</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
(b) <i>Deduction of interest expense from gross receipts.</i> The lessee should monitor and ensure that interest expense paid on construction loans is deducted only up to \$500,000 per year.			recommendation 2.

# Department of Public Health

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

Date(s) of followup letter(s) sent : 3/13/95,6/30/95,11/20/95,3/11/96,12/5/96, 2/02/98  
Date(s) of response letter(s) received : 5/23/95, 8/29/95

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. The Secretary of DPH should develop and formalize long-term plans to resolve the high cost of medical care in the CNMI (such as plans to provide CNMI-wide health care insurance and preventive health care programs to all residents). Upon completion, these plans should be brought to the attention of the Governor and the Legislature for action.	DPH	Resolved Delinquent	Secretary of Public Health should provide a copy of long-term plans to reduce the cost of health care in the CNMI.

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

Date(s) of followup letter(s) sent : 3/11/96,12/5/96, 2/02/98  
Date(s) of response letter(s) received : 4/3/96 (DOF only), 12/6/96 (NMIRF), 2/18/98 (DPH)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. The Secretary of Finance should consider transferring the responsibility for releasing claim checks to CNMI Agencies so they can keep track of payments (and ensure accuracy of claims review and processing). Of course, controls over release of checks should be established.	DOF	Resolved Delinquent	Provide new target for giving computer access (or provide alternative measures).  Note: In his April 3, 1996 letter response, the Secretary stated that DOF will give limited computer access on claim payments to CNMI Agencies by September 30, 1996. As of the follow-up date, however, this has not yet been accomplished.

**3. Report No. LT-97-02 issued February 6, 1997  
Commonwealth Health Center  
Audit and Investigation of Missing Funds**

Date(s) of followup letter(s) sent : 4/1/97 (verbal), 7/11/97, 10/24/97  
Date(s) of response letter(s) received : 2/27/97, 3/19/97, 7/14/97, 2/26/98

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of Public Health should amend the adverse action against evening cashier number 2.	CHC	Resolved Active	The DPH Legal Counsel provided OPA a copy of the Judgement and Probation Commitment Order where the cashier was ordered to pay full restitution to CHC amounting to \$3,473 within a period of five years. As of October 1997, a total of \$2,690 has been paid through allotment leaving a balance of \$783.  <i>Further Action Needed</i>  Provide OPA a copy of documents showing that the balance of \$783 has been fully collected.

**4. 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  
Date(s) of response letter(s) received : 6/16/97 (RMO), 2/24/98 (RMO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Secretary of Finance should require the current Director of RHC to return the amount of \$4,282.02 taken from RHC funds.	DOF	Resolved Delinquent	The Secretary of Finance responded that he will request the Mayor of Rota to adopt the finding and, through the Resident Department Head of Finance, make arrangements to recover RHC funds in the exact amount from the RHC Director, by whatever means most appropriate not later than February 28, 1997.  <i>Further Action Needed</i>  The Secretary of Finance should provide OPA a copy of the memo requiring the current Director of RHC to return the amount taken from RHC funds and the results of the arrangements made with the

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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.	DOF	Resolved Delinquent	<p>Rota Department Head of Finance to recover said amount. In addition, since the Mayor of Rota indicated reluctance to implement this recommendation the Secretary of Finance should take a more active role in assuring that the money is returned such as requiring the Resident Department Head of Finance to take the required action.</p> <p>The Secretary of Finance responded that he will request the Mayor of Rota to adopt the findings and, through the Resident Department Head of Finance, deny the claims not later than February 28, 1997.</p>
			<p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA a copy of the memo requesting the Mayor of Rota through the Resident Department Head of Finance to deny the claims.</p> <p>In addition, since the Mayor of Rota indicated reluctance to implement this recommendation the Secretary of Finance should take more active role in assuring that the money is returned such as requiring the Resident Department Head of Finance to take the required action.</p>
4. The Secretary of Finance should deny the claim of the Director of RHC for reimbursement of the cost of the washing machine.	DOF	Resolved Delinquent	<p>The Secretary of Finance responded that he will request the Mayor of Rota adopt the findings and, through the Resident Department Head of Finance, deny the claims not later than February 28, 1997.</p>
			<p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA a copy of the memo requesting the Mayor of Rota through the Resident Department Head of Finance to deny the claims.</p>
5. The Mayor of Rota should consider what administrative sanctions should be applied for violation of the ethical standards.	RMO	Resolved Active	<p>The Mayor of Rota provided OPA an invoice statement where the RHC Director stated that the procurement of the washing machine was for an emergency sole source</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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purchase. The invoice statement was dated 8/18/97 which is the same date as the proof of purchase. However, the washing machine was transferred to RHC in June of 1996 which is inconsistent with the date in the documents presented.

*Further Action Needed*

The Mayor of Rota should provide OPA valid proof to justify the purchase and allow DOF to judge fairly if the RHC Director should be paid for the washing machine.

**5. 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  
Date(s) of response letter(s) received : 1/13/98

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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3. *As Revised and Redirected to DOF:*  
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 her. 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 on enforcing immediate return of travel advances if travel is canceled.

DOF  
Resolved  
Delinquent

The Secretary of Finance concurred with the recommendation, and provided documents which showed deduction of unpaid balance of charges for personal calls and travel advances totaling \$488 and \$486, respectively, from the Executive Director's final net pay check. Also, he stated that the Travel Section will be instructed to recover advances for canceled trips in one automatic payroll deduction unless the advance amount exceeds the employee's net pay. In this case, a series of deductions will be used to recover the full amount of the advance.

*Further Action Needed*

No additional action required from the Secretary of Public Health. The Secretary of Finance should provide OPA with a copy of this memorandum.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>6. The Secretary of Public Health should ensure that local funds are not used to supplement funds no longer available from the federal government, and admonishing them for violating the CNMI Planning and Budgeting Act.</p>	DPH	Resolved Active	<p>The Secretary of Public Health stated that a memorandum will be issued to all Division Directors.</p> <p>On January 13, 1998, the Developmental Disabilities Council (DDC) Executive Director responded that this matter was discussed during their meeting. However, the memorandum issued to all Division Directors cannot be located.</p> <p><i>Further Action Needed</i></p> <p>The DDC Director should provide OPA with a copy of the memorandum.</p>
<p>7. <i>Original</i> - The Secretary of Public Health should take action to recover the retroactive salary increase of \$3,600 improperly paid from local funds to the former DDC Executive Director.</p> <p><i>As Revised and Redirected to DOF</i>- The Secretary of Finance should bill the former Executive Director for the remaining balance owed of \$764.40.</p>	DOF	Resolved Active	<p>The DDC Executive Director responded that the Region IX Federal Agency overseeing the Developmental Disabilities basic State Grants' allotments did not approve any retroactive salary increase using previous fiscal years' budget for the following fiscal year. The former Executive Director paid \$2,835.60 to be reverted back to the Department of Public health with a balance of \$764.40 for collection by the Department of Finance.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should bill the former Executive Director for the remaining balance owed of \$764.40.</p>
<p>10. <i>Original</i> - The Secretary of Public Health should charge appropriate leave for the 12 unworked hours of employee no. 75677.</p> <p><i>As Revised and Redirected to DOF</i>: The Secretary of Finance should correct the leave balance of employee no. 75677 by adding back three hours to annual leave.</p>	DOF	Resolved Active	<p>On February 4, 1998, the Executive Director of DDC provided OPA the Summary Time Sheet for period ending 01/06/96 informing the DOF payroll section to charge twelve hours to annual leave because it was originally paid as regular hours.</p> <p>DOF, however, charged 15 hours rather than 12 hours to annual leave. Therefore, the annual leave balance of employee no. 75677 is understated by three hours.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should instruct</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>11. <i>Original</i> - The Secretary of Public Health should reinstate the 15 hours LWOP of Employee no. 75677 because the reversal by the DDC Executive Director was not supported by written justification.</p> <p><i>As Revised and Redirected to DOF:</i> The Secretary of Finance should send a billing to employee no. 75677 amounting to \$229.02 for the 15 hours that was paid as regular hours which should have been charged to LWOP.</p>	DOF	Resolved Active	<p>the DOF payroll section to add back the three hours to the annual leave balance of employee no. 75677.</p> <p>On February 4, 1998, the Executive Director of DDC provided OPA the Summary Time Sheet for period ending 01/06/96 informing the DOF payroll section to charge fifteen hours to leave without pay because it was originally paid as regular hours.</p> <p>DOF, however, did not effect the amendment. OPA learned that employee no. 75677 was already terminated and that the employees' final check payment was already paid so the employee was overpaid by 15 regular hours amounting to \$229.02 (\$15.268/hr. X 15 hrs.).</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should collect overpayment of salary amounting to \$229.02 from employee no. 75677 and provide OPA with the document showing collection.</p>
<p>13. The Secretary of Public Health should coordinate the activities of DDC by performing a periodic review of DDC's program operations and administrative services.</p>	DPH	Resolved Active	<p>The Secretary of Public Health concurred with the recommendation, and stated that P.L. 103-230 Sec. 124(c)(2) and 45 CFR 1386.30(e)(4) authorizes the Council to hire, supervise and evaluate the Executive Director. Periodic reports are prepared and received by Council members.</p> <p>On January 13, 1998, the DDC Executive Director responded that for purposes of administration and coordination, all activity reports prepared at DDC is provided to the Secretary of Health.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Public Health should provide OPA documents on actions made to coordinate the activities of DDC, including performance of a periodic review of DDC's program operations and administrative services.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
14. The Secretary of Public Health should enforce compensation of the DDC Executive Director as a division director and not as a department or agency head.	DPH	Resolved Active	<p>In January 13, 1998, the DDC Executive Director responded that the DDC Council and Region IX does not agree with OPA findings that DDC should be considered as a division of the Department of Public Health and not an independent agency or department. The Attorney General's Office has not communicated their legal opinion on the matter.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Public Health should provide OPA copy of the results of the review of the issue by the Attorney General's Office.</p>

## Department of Public Safety

### 1. Report No. AR-94-05 issued November 19, 1994 Bureau of Motor Vehicles Driver's Licensing and Vehicle Registration Activities

Date(s) of followup letter(s) sent : 12/30/94, 2/23/95, 7/7/95, 10/6/95, 5/3/96, 12/3/96, 2/02/98

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
4. The Director of BMV should develop and implement written procedures establishing duties of each BMV employee so that persons performing review and approval functions shall not be involved in the processing of drivers' license.	DPS	Resolved Delinquent	In October 1995, we received a copy of the duties and responsibilities of BMV employees. However, such written procedures showed that employees performing review and approval functions, such as the Deputy Director, were to be involved in the processing of drivers' licenses. Accordingly, the Commissioner of DPS should provide (1) an amended duties and responsibilities where employees performing review and approval functions should not be involved in the processing of drivers' licenses, and (2) target implementation date. Per DPS letter dated January 7, 1997, the driver's license supervisor was instructed not to be involved in the processing of licenses.
5. The Director of BMV should develop and implement written procedures to ensure the validity of drivers' licenses issued. Specifically, require the DL supervisor to review all applications for drivers' license.	DPS	Resolved Delinquent	The duties and responsibilities of BMV employees provided to us in October 1995 showed that the DL supervisor should review drivers' licenses. However, there was no detail of the review process: objectives of the review, what document to review, when to conduct review, and how to document the review. Accordingly, the Commissioner of DPS should provide (1) a copy of the written procedures that provides the details of the review process from receipt of application to issuance of drivers' licenses, and (2) target implementation date.
6. The Director of BMV should develop written procedures and implement a filing system where all pertinent documents used in the processing of drivers' licenses are systematically	DPS	Resolved Delinquent	The Commissioner of DPS should provide (1) a copy of the written procedures detailing the systematic filing of all pertinent documents used in the processing of drivers' licenses, and (2)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
arranged in individual files.			target implementation date.
7. The Director of BMV should assign one staff member to control records kept in and access to the storeroom. The assigned staff should label and systematically arrange the boxes of documents to facilitate retrieval when necessary.	DPS	Resolved Delinquent	The duties and responsibilities of BMV employees provided to us in October 1995 showed that the DL supervisor oversees the filing, maintenance and control of drivers' licenses. However, there was no detail of what documents are to be kept in the storeroom and the procedures for filing them. Accordingly, the Commissioner of DPS should provide (1) a written memo detailing the required procedures to control records in the storeroom, and (2) target implementation date.
8. The Director of BMV should establish and implement written review procedures to ensure the reliability of the records. The review procedures should (a) require the DL Supervisor to control the assignment of numbers to the license cards, and (b) stop the practice of assigning "00" or "01" extension numbers to duplicate drivers' license numbers and correct the duplicate and erroneous driver's licenses by assigning the next numbers in the series that the license was originally issued.	DPS	Resolved Delinquent	The Commissioner of DPS should provide (1) a copy of the written memo requiring the DL Supervisor to (a) control the assignment of numbers to the license cards, and (b) stop the practice of assigning "00" or "01" extension numbers to duplicate drivers' license numbers and (c) correct the duplicate and erroneous driver's licenses by assigning the next numbers in the series that the license was originally issued and (2) target implementation date.
9. The Director of BMV should assign the responsibility of changing data in the computer file to one staff member. The assigned staff should be required to document the reason for the changes made to the computer file and on the driver's license cards.	DPS	Resolved Delinquent	The Commissioner of DPS should provide a copy of a memo assigning specific staff responsible for and the required procedures in changing data in the computer files. Per DPS letter dated December 11, 1996, Director Adriano, Director Cabrera and the Immigration Director will meet to ensure a compatible system which maybe accomplished between April and June 1997.
12. The Commissioner of DPS should require the CJIS programmer to modify the data base program for driver's licenses to allow the accumulation of historical data.	DPS	Resolved Delinquent	The Commissioner of DPS should provide (1) a target implementation date, and (2) a status report on the implementation of the recommendation. Per DPS letter dated December 11, 1996, Director Adriano, Director Cabrera and the Immigration Director will meet to ensure a compatible system which maybe accomplished

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			between April and June 1997.
13. The Commissioner of DPS should require the CJIS programmer to modify the driver's license data base 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 driver's license cards. The data should be automatically added by the program to the data base file. If necessary, the DPS can seek assistance from the EDP programmers at the Department of Finance.	DPS	Resolved Delinquent	The Commissioner of DPS should provide (1) a target implementation date, and (2) a status report on the implementation of the recommendation. Per DPS letter dated December 11, 1996, Director Adriano, Director Cabrera and the Immigration Director will meet to ensure a compatible system which maybe accomplished between April and June 1997.
16. The Commissioner of DPS and Director of BMV should develop and implement a plan to fully utilize the computer system for vehicle registration. The plan should include (a) recording of vehicle registrations at the BMV instead of bringing the registration files to the CJIS, (b) reconciling the data base file with the manual logbook, and (c) requiring inquiry of vehicle registrations using the computer after the data base has been reconciled with the logbook.	DPS	Resolved Delinquent	The Commissioner of DPS should provide (1) a target implementation date, and (2) a status report on the implementation of the recommendation. Per DPS letter dated December 11, 1996, the vehicle registration programs are included in the current law enforcement Management System and will begin implementation in early February of 1997.
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	The Commissioner of DPS should provide (1) a target implementation date, and (2) a status report on the implementation of the recommendation. Per DPS letter dated December 11, 1996, the vehicle registration programs are included in the current law enforcement Management System and will begin implementation in early February of 1997.
18. The Director of BMV should develop and implement written procedures to ensure the accuracy of computer records of vehicle registration and completeness of supporting documents. These procedures should include (a) review by the supervisor of the registration documents, (b) assignment of a staff member to log the	DPS	Resolved Delinquent	The Commissioner of DPS should provide (1) a copy of the written procedures, and (2) target implementation date. Per DPS letter dated December 11, 1996, the vehicle registration programs are included in the current law enforcement Management System and will begin implementation in early February of 1997.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>registration files transferred to and received from the CJIS, (c) filing of registration documents on a daily basis, and (d) preparation of a daily transaction report by the CJIS that should be compared to the vehicle registration documents at the BMV.</p>			

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

Date(s) of followup letter(s) sent : 6/21/95, 5/3/96, 12/3/96, 2/02/98  
Date(s) of response letter(s) received : 6/26/95, 10/17/95,3/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>1. The Commissioner of DPS should require that procedures be developed and implemented to ensure that firearm IDs are issued only to eligible persons. The procedure should require Court clearances that respond to all requirements of the law and DPS regulations, a clearance from the applicant's doctor or hospital responding to all requirements of the law, and proof of residency and age.</p>	DPS	Open Delinquent	<p>The Commissioner of DPS should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of written procedures to ensure that firearm IDs are issued only to eligible persons, including requirement for court clearance, doctor or hospital clearance, and proof of residency and age which respond to all requirements of the law and DPS regulations.</p> <p>DPS provided OPA several posters containing the requirements of the law. These would be helpful to remind DPS personnel of the legal requirements on firearms IDs and dealers license. OPA's recommendation was for DPS to develop and implement procedures, such as clearance to be required from applicants, sequential procedures in the processing of IDs and dealers license as well as subsequent verification procedures.</p>
<p>3. The Commissioner of DPS should require the Records Section to accurately and completely maintain the registry of IDs including complete files of all documents showing eligibility for Ids.</p>	DPS	Open Delinquent	<p>The Commissioner of DPS should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written procedures to accurately and completely maintain the registry of firearm IDs.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
4. The Commissioner of DPS should require the BMV Director to develop and implement written policies and procedures with the assistance of the Supervisor of the Records Section and the Director of Police for following-up on and enforcing ID renewal under the Weapons Control Act.	DPS	Open Delinquent	The Commissioner of DPS should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written policies and procedures for following-up on and enforcing ID renewal.
6. The Director of BMV should develop written policies and procedures to ensure the safe operation of shooting galleries after issuance of their licenses.	DPS	Open Delinquent	The Commissioner of DPS should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written policies and procedures to ensure the safe operation of the shooting galleries after issuance of their license.
7. The Director of BMV should develop written policies and procedures for the verification of transfers of firearms and ammunition by the firearm dealers.	DPS	Open Delinquent	<p>The Commissioner of DPS should provide (1) a target date for implementation, (2) the title of the official responsible for the action, and (3) a copy of the written policies and procedures for the verification of transfers of firearm and ammunition.</p> <p>DPS provided OPA several posters containing the requirements of the law. These would be helpful to remind DPS personnel of the legal requirements on firearms IDs and dealers license. OPA's recommendation was for DPS to develop and implement procedures, such as clearance to be required from applicants, sequential procedures in the processing of IDs and dealers license as well as subsequent verification procedures.</p>



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

Date(s) of followup letter(s) sent : 12/3/96, 2/02/98  
Date(s) of response letter(s) received : None

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

## Department of Public Works

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

Date(s) of followup letter(s) sent : 2/7/96, 7/16/96, 11/29/96, 12/3/96, 2/02/98  
Date(s) of response letter(s) received : 2/29/96, 3/4/96, 7/26/96, 12/20/96

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
5. The Director of Procurement and Supply should issue a directive to DPW emphasizing the necessity for compliance with CNMI Procurement Regulations.	DOF	Resolved Delinquent	The Director of Procurement and Supply responded that he will issue a directive to the Secretary of DPW mandating him to comply with the CNMI Procurement Regulations in all future A&E services procurement.  <i>Further Action Needed</i>  The Director of Procurement and Supply should provide OPA a copy of the directive.
6. The Director of Procurement and Supply should issue a directive to DPW requiring adequate documentation of all bid and proposal evaluations. Documentation should include the criteria used, the scoring system used in the evaluation, the number of evaluations made, and the results of the bid and proposal evaluation(s).	DOF	Resolved Delinquent	The Director of Procurement and Supply stated in his response that adequate documentation of all bid and proposal evaluation is now an ongoing practice in the DPW. However, he will re-enforce this requirement by participating and scrutinizing all bid and proposal evaluations.  <i>Further Action Needed</i>  The Director of Procurement and Supply should provide OPA a copy of the directive or memorandum to DPW requiring adequate documentation of all bid and proposal evaluations and also a copy of the memo informing DPW that the Division of Procurement and Supply will participate in and scrutinize all bid and proposal evaluations.

**2. Report No. LT-96-08 issued September 26, 1996  
 Audit on Improper Disposal of Two Heavy Equipment Vehicles**

Date(s) of followup letter(s) sent : 11/25/96, 2/02/98

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of Finance should determine the extent of financial liability for which the DPW Secretary should be held liable.	DOF	Open Delinquent	Since the Secretary of Finance does not consider imposing financial liability, he should at least issue a directive reminding the DPW Secretary to become familiar with and appoint one of his managers to be responsible for carrying out the policies and procedures of procurement and supply.

# Municipalities

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Offices of the Mayors  
Municipal Councils

# Municipality of Northern Islands

**1. Report No. AR-95-04 issued February 21, 1995**  
**Office of the Mayor**  
**Employee Time Charges and Capital Expenditures**

Date(s) of followup letter(s) sent : 3/27/95,7/3/95,7/19/96,10/7/96,12/2/96, 12/23/96, 2/02/98  
 Date(s) of response letter(s) received : 4/3/95,7/10/95,7/24/96,7/26/96,10/15/96

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Director of Office of Personnel Management and the Secretary of Finance should establish written procedures to periodically test the integrity of the employment history data in the system. Procedures should include investigation of any differences found during the test and evaluation of its implication on the overall integrity of the employment history data.	DOF/OPM	Open Delinquent	Provide copy of the procedures.

# Municipality of Rota

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

Date(s) of followup letter(s) sent : 7/16/96, 11/29/96, 12/3/96, 2/02/98  
 Date(s) of response letter(s) received : 8/20/96, 12/3/96, 6/16/97 (RMO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Mayor of Rota should survey and record the remaining equipment donated by Marianas Agupa Enterprises.	DOF	Resolved Delinquent	The Director of Procurement and Supply should request the Rota Mayor's Office to conduct the survey and record the remaining equipment donated by Marianas Agupa Enterprises and to provide the records to his Office.  <i>Further Action Needed</i>  Provide OPA documentation of the survey made and proof that the equipment has been recorded.

**2. Report No. AR-96-06 issued June 20, 1996**  
**Office of the Mayor**  
**Audit of Expenditures**

Date(s) of followup letter(s) sent : 12/5/96, 2/02/98  
 Date(s) of response letter(s) received : 6/11/97 (DOF), 6/16/97 (RMO)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Director of Procurement and Supply should issue a directive to the Rota Mayor's Office reemphasizing compliance with the provisions of the section on Ethics in Public Contracting of the CNMI Procurement Regulations. The Mayor should divest himself from all procurement transactions with business entities' own by himself or his immediate relatives.	DOF	Resolved Delinquent	The Director of Procurement and Supply responded that he will issue a directive to the Rota Mayor's Office reemphasizing compliance with Procurement Regulations and Ethics in Public Contracting.  <i>Further Action Needed</i>  The Director of Procurement and Supply should provide OPA with a copy of the directive.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
3. The Director of Procurement and Supply should take the appropriate civil actions against the former Mayor as are provided for in the Regulations.	DOF	Resolved Delinquent	<p>The Director of Procurement and Supply responded that after consultation with DOF's Legal Counsel, they have agreed to turn this matter to the Attorney General (AG). A memorandum dated November 13, 1995, requesting for an investigation was sent by DOF's Legal Counsel to the Acting Attorney General.</p> <p><i>Further Action Needed</i></p> <p>The Director of Procurement and Supply should provide OPA with the results of the AG's actions.</p>
4. The Director of Procurement and Supply should recover the \$12,000 paid to a business of the former Mayor for rent of an apartment which was not used.	DOF	Resolved Delinquent	<p>The Director of Procurement and Supply responded that after consultation with DOF's Legal Counsel, they have agreed to turn this matter to the AG. A memorandum dated November 13, 1995, requesting for an investigation was sent by DOF's Legal Counsel to the Acting Attorney General.</p> <p><i>Further Action Needed</i></p> <p>The Director of Procurement and Supply should provide OPA with the results of the AG's actions.</p>
7. The Secretary of Finance should establish and implement written policies and procedures regulating official representation expenses. The policy should clearly indicate the official 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. Procedures should be included on how to request advances and document official representation expenses.	DOF	Resolved Delinquent	<p>The Acting Secretary of Finance responded that DOF is in the process of developing policies and procedures regulating official representation expenses. He added that the points noted in the recommendation will be incorporated into these policies and a copy will be provided to the OPA when completed.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of these policies when completed.</p>
10. The Secretary of Finance should instruct the Payroll Section to adjust the leave balances of the employees noted in the report.	DOF	Resolved Delinquent	<p>The Acting Secretary of Finance responded that the Payroll Section will be instructed to adjust the leave balances of the 2 employees listed as taking sick leave. He added that a recommendation should be made to the Rota Mayor's Office to submit leave without</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
14. The Secretary of Finance should recover the overpayments from the two travelers.	DOF	Resolved Delinquent	pay in lieu of paid hours on a future time sheet for the employee with leave without pay.  <i>Further Action Needed</i>  The Secretary of Finance should provide OPA with a copy of the documents showing adjustments made to the sick leave balances of the two employees, and the recovery of payroll payment to the employee with leave without pay.
15. The Secretary of Finance should require the timely review of all encumbrances. The Office of the Mayor, in conjunction with DOF, should review long outstanding encumbrances and deobligate all POs and TAs that are no longer valid. For those travel advances found to be still outstanding, DOF should pursue collection from the travelers as mentioned in Recommendation 12.	DOF	Resolved Delinquent	The Acting Secretary of Finance responded that since the two travelers no longer work for the government, DOF has requested the Attorney General (in conjunction with recommendation no. 3) to investigate the propriety of payments made to the two travelers.  <i>Further Action Needed</i>  The Secretary of Finance should provide OPA a copy of the referral letter to the AG and results of the actions taken.  The Acting Secretary of Finance responded that they are already in compliance with the recommendation, per memorandum dated June 6, 1995. According to him, it is each Department's responsibility to notify DOF when an encumbrance should be deobligated. He added that DOF provides report of open encumbrances to all departments on a monthly basis with a request to review and liquidate or deobligate as appropriate. At the end of each fiscal year, DOF deobligates non travel encumbrances of more than two years old and keeps travel related encumbrances open until they are liquidated through a travel voucher or payroll deduction.  <i>Further Action Needed</i>  DOF should provide OPA a copy of the results of the review and actions taken.



# Municipality of Saipan

**1. Report No. LT-96-06 issued October 10, 1996**  
**Saipan Municipal Council**  
**Audit on Improper Procurement of Air Conditioners**

Date(s) of followup letter(s) sent : 11/25/96, 2/02/98  
 Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Secretary of Finance should enforce the policy on confirming requisitions by requiring the appropriate parties responsible for procuring the air conditioners to pay for them forthwith or return them to the vendor.	DOF	Open Delinquent	The Secretary of Finance should provide OPA documentation showing the final disposition of the transaction.

# Municipality of Tinian

## 1. 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

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The Secretary of Finance should designate responsibility to a specific DOF office for implementing government vehicle regulations and develop specific procedures for confiscating vehicle and bringing disciplinary actions against offending officials or employees.	DOF	Open Delinquent	The Secretary of Finance should inform OPA of the DOF office designated to implement government vehicle regulations and provide OPA copy of procedures.
3. The Secretary of Finance should recover the \$1,000 paid to Joeten Motors Company, Inc. from responsible officials of the Tinian Mayor's Office.	DOF	Open Delinquent	The Secretary of Finance should provide OPA proofs that the \$1,000 has been recovered.

## 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

Date(s) of response letter(s) received : 6/11/97

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
6. The Secretary of Finance should direct the Department of Finance on Saipan and on Tinian to reconcile the fund balance showing in their records at least on a weekly basis, as maintaining an accurate fund balance is necessary for effective budgetary control.	DOF	Resolved Delinquent	The Secretary of Finance should provide the Office of the Public Auditor a copy of the reconciliation procedures to be developed by DOF.

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>The Secretary of Finance should provide the Office of the Public Auditor (1) a copy of the memo directing the Tinian Procurement Office to establish a schedule for conducting inventories of government capital assets on Tinian and (2) a copy of the inventory results and actions taken.</p>

# CNMI-Wide Audits

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Single Audits  
Compliance with Laws and Regulations

# CNMI-Wide Audits

## 1. CNMI Single Audit Independent Auditors' Report on Internal Control Structure Year Ended September 30, 1996

Date(s) of followup letter(s) sent : 12/12/96, 2/09/98

Date(s) of response letter(s) received : 12/20/96 (DPW), 1/2/97 (DPH), 2/24/97 (Medicaid), 2/25/97 (NAP)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<i>Treasury/Cash Management</i>			
1. DOF should make a periodic fund transfer between the general fund bank account and the special disability trust account to ensure that all trust monies are separately maintained.	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide copy of documents supporting periodic transfer of funds from the general bank account to the Special Disability Trust Fund bank account as stated in auditee response.
2. DOF should reconcile all bank accounts to the general ledger on a monthly basis and that the resulting adjustments be posted in a timely manner.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of procedures implemented in conjunction with the NAP program to ensure that all bank account reconciliation adjustments are booked to the general ledger as stated in auditee response.
3. The CNMI should consider the use of cash control sheets for accumulating small collections at the Joeten-Kiyu Public Library.	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide copy of procedures established on the use of cash control sheets for accumulating small collections.
4. The CNMI should implement program changes in the computer system used by the Customs Division to include control numbers on all cash receipts issued, so as to ensure that all cash receipts are properly recorded and for documentary reference purposes.	DOF	Open Active	Provide copy of cash receipts processed by the Customs Division which has a control number.
5. DOF should ensure that sufficient documentation is obtained and periodically updated to demonstrate full compliance with the requirements of Public Law 9-13.	DOF	Open Active	Provide copy of procedures adopted to ensure that sufficient documentation to prove compliance with the 110% collateralization requirement is obtained and periodically updated.
6. DOF should ensure that all departments or divisions which utilize petty cash funds are provided written instructions	DOF	Open Active	Provide copy of procedures adopted on utilizing petty cash funds which was provided to DPL as stated in auditee

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
on the appropriate procedures to be followed regarding those funds. Such procedures should include the use of vouchers approved by appropriate personnel prior to the release of funds.			response.
<i>Revenue/Receipts</i>			
7. The Division of Revenue and Taxation should review its system of record keeping and establish policies and procedures to ensure that tax returns are orderly, systematic, and are properly accounted for.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide a copy of the policies and procedures established to ensure that tax returns are accounted for properly as stated in auditee response.
8. The Compliance Division of the Division of Revenue and Taxation should carefully review all filed returns for proper completion.	DOF	Open Active	Provide copy of memo instructing the compliance section personnel to carefully review all filed returns for proper completion as stated in auditee response.
9. The Division of Revenue and Taxation should develop and implement controls over cash collections so that adequate segregation of duties is maintained. Bank deposits should be reconciled to cash receipts, to postings to the general ledger and to taxpayer subsidiary ledgers on a daily basis. All alterations of original cash receipts should be approved by a supervisor to indicate proper recording of the change.	DOF	Open Active	Provide copy of changes policies and procedures developed to effectively control cash collections as stated in auditee response.
10. The Division of Treasury should review its system of record keeping and establish policies and procedures to ensure that official cash receipts are filed orderly and systematically.	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide copy of policies and procedures to ensure that official receipts are filed properly and systematically, and the result of the review of record keeping system.
11. The CNMI Customs Division should maintain documentation supporting tax assessments in an organized manner and for a reasonable duration to ensure that all revenues are adequately supported.	DOF	Open Active	Provide copy of document showing that an additional storage space has been secured to ensure that current and prior year documents can be retained until completion of the audit as stated in auditee response.
12. The CNMI Customs Division should establish policies and procedures to ensure that all collections are properly recorded.	DOF	Open Active	Provide copy of policies and procedures developed to ensure that all cash collections are properly recorded.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
13. The CNMI Customs Divisions enforce its tax assessment and cash receipt procedures.	DOF	Open Active	Provide copy of memo reemphasizing proper assessment and cash receipting procedures to its staff.
14. The CNMI should establish control over cash by requiring all collection points in Rota to remit cash collections to DOF on a daily basis.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of memo reemphasizing to the Rota Public Lands Office (RPLO), Quarantine Office and Division of Customs in Rota the policy that collections should be deposited daily to the DOF. Provide also copy of the result of review of deposit procedures for the RPLO as stated in the auditee response.
15. DOF should require the Quarantine Office - Airport to remit its collections to the Treasury on a timely and regular basis, that a specific person be designated responsible for those collections and remittances, and that all collections be maintained in one safe and secure location to minimize the possibility of loss.	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide a copy of the memo instructing the Airport Quarantine Office to remit its collection to the Treasury on a timely basis and to assign a responsible individual as stated in the auditee response.
16. DOF should require Division of Public Lands (DPL) to remit its collections on a timely and regular basis.	DOF	Open Active	Provide copy of memo instructing DPL to remit its collection to the Treasury on a timely and regular basis as stated in the auditee response.

*Purchases/Disbursements*

17. DOF should reconcile encumbrance balances on a monthly basis. Additionally, adjustment reports should be retained and signed by the personnel performing the adjustments.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of memo requiring all departments to reconcile encumbrance balances on a monthly basis.
18. The CNMI should review all advances outstanding for more than one year, evaluate their collectibility, and write off any amounts deemed uncollectible.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of the result of the review of old outstanding travel advances for collectibility as stated in the auditee response.

*External Financial Reporting*

19. DOF should analyze the composition of the Agriculture Revolving Fund, establish the Fish and Game Conservation Fund as a separate fund, and make any additional adjustments.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of document evidencing the establishment of the Fish and Game Conservation Fund as stated in the auditee response.
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Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
20. DOF should develop policies and procedures to ensure that password security is maintained.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide status of a security plan that will include password control, which is being developed by the EDP Division as stated in auditee response.
21. The CNMI Division of Electronic Data Processing should develop a disaster recovery plan.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide status of evaluation performed by the EDP Division on business recovery service vendors for disaster recovery planning and support as stated in auditee response.
22. DOF should formulate a written policy requiring the periodic review and approval by the Director of Finance of the Security system. Access to the security administrator function, programming functions, and sensitive application system functions (such as payroll and tax master file access) should be independently reviewed by management.	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide copy of written policy requiring the periodic review and approval by the Director of Finance of the security system. Also, provide a copy of the formal documentation of the application program security as stated in the auditee response.
23. DOF should promptly record transfers of funds to reflect all legislatively-approved reprogramming between General Fund and Local Capital Projects Fund continuing appropriations.	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide copy of the results of the review of interfund programming procedures to ensure funding as well as budgetary authority is transferred for future transactions of this type as stated in auditee response.
24. DOF should determine how the fund deficit in the Human Resources Development Trust Fund will be eliminated.	DOF	Open Active	Provide copy of the results of the review of the fund deficit in the Human Resources Development Trust Fund and the subsequent plans to eliminate the deficit.

### *Investments*

25. The CNMI should obtain financial statements and consider making appropriate equity adjustments to the Pacific Islands Developments Bank (PIDB) investment balance on an annual basis.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of the result of the equity adjustment on the investment with PIDB.
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### *Receivables*

26. DOF should implement procedures whereby all ordering divisions are contracted on a regular basis to determine the status of items for which	DOF	Open Delinquent (Outstanding since FY 1994)	Provide copy of the result of the reconciliation of the vendor advance account to determine if goods have been received as stated in auditee response.
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Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
an advance payment had been made.		Single Audit)	
27. CHC should 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. Accounts determined to be uncollectible should be written off.	DOF	Open Active	Provide copy of the status of major courses of action taken to improve the billing and collection system as stated in the auditee response. Provide also copy of procedures established to ensure that all billings are processed on a timely basis.
28. The CNMI should maintain a sub ledger of all general receivables and write off any unsupported or uncollectible balances.	DOF	Open Active	Provide copy of general receivables sub ledger printouts of the new financial management system and the list of unsupported and uncollectible accounts written off.
<i>Inventory</i>			
29. The CNMI should establish proper physical control over supplies inventory by periodic physical counts and by agreeing amounts to general ledger balances. Additionally, proper costing records should be maintained, annual physical counts should be taken, and inventory should be recorded on the financial statements.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of the status of the conversion of the Serv-Mart inventory and issuance to the inventory module of the new financial management system as stated in the auditee response.
30. The CHC medical supply officer should review the inventory for excess or useless items. Any such items should be sold or otherwise disposed of. Future inventory purchases should be adequate to meet needs, but not excessive so as to avoid incurring unnecessary storage costs.	DOF	Open Active	Provide copy of the result of the review of the inventory by the CHC medical Supply Officer as stated in the auditee response.
31. The Department of Health and Environmental Sciences budget sufficient funds to repair and adequately maintain the CHC storage facility.	DPH	Open Active	Provide copy of status of the request for funds to repair and maintain CHC storage facility.
32. CHC inventory teams should be required to strictly follow inventory instructions. All inventory locations should be properly secured when the inventory custodians are not present.	DPH	Open Active	Provide a copy of the memo requiring strict adherence to written inventory procedures during inventory count.
33. CHC should implement the use of pre-numbered supply requisition forms, and	DPH	Open Active	Provide copy of procedures established to ensure proper recording of all issuances of

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
that those forms be accounted for on a regular basis to ensure proper recording of all issuances of supplies. If pre-numbered forms are not feasible, the unnumbered forms should be manually sequentially numbered upon receipt, accounted for and filed for future reference.			supplies. Provide also copy of the status of the full automation of the MSO accounting system as stated in the auditee response.
34. CHC should implement a perpetual inventory system for CSR and PDU.	DPH	Open Active	Provide copy of the status of the inventory module of the new financial management system.
35. CHC should establish policies and procedures in requiring detailed physical inventory reports and reconciliation of physical inventory to the general ledger inventory balance.	DPH	Open Active	Provide copy of physical inventory printouts from the new financial management system which is fully integrated with the general ledger as stated in the auditee response.
<i>Property and Equipment</i>			
36. The CNMI should perform an inventory of its fixed assets for recording of all assets in the General Fixed Assets Account Group.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of the status of the upgrading of fixed asset records to the new fixed asset module of the new financial management system.
<i>Payables and Accrued Liabilities</i>			
37. The CNMI should take the necessary steps to monitor deposits.	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of controls adopted to monitor deposit accounts.

**2. CNMI Single Audit  
Independent Auditors' Report on Compliance with Laws and Regulations  
Year Ended September 30, 1996**

Date(s) of followup letter(s) sent : 12/12/96, 2/09/98  
Date(s) of response letter(s) received : 2/25/97 (NAP), 2/11/98 (Medicaid)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. NAP should introduce procedures to ensure compliance with work registration requirements and enforce collection efforts against households receiving benefits when not in compliance with those requirements. [US Dept. of Agriculture/ NAP/ CFDA #10.551]	NAP	Open Active	Provide copy of revised Manual of Operations which shall include procedures adopted to ensure compliance with work registration requirements.
2. NAP should adhere to established policies and procedures to ensure that all income applicable to the months from which benefit levels are determined are accurately and appropriately included in the benefit calculation. [US Dept. Of Agriculture/ NAP/ CFDA #10.551]	NAP	Open Active	Provide copy of revised Manual of Operations which shall include procedures adopted to ensure that all income applicable to the months from which benefit levels are determined are accurately and appropriately included in the benefit calculation.
3. NAP should continue to emphasize the importance of reporting, and the effects of not reporting, changes in household composition and income. NAP's Eligibility Workers should also be reminded of their responsibility for filing claims against households for over issued benefits as a result of changes in household composition or income. [US Dept. of Agriculture/ NAP/ CFDA #10.551]	NAP	Open Active	Provide copy of memo reemphasizing the importance of reporting and the effects of not reporting changes in household composition and income.
4. NAP should comply with established policies and procedures to ensure that all benefit issuances are accurately documented or calculated. All documents prepared by the eligibility workers should be reconciled to the client application and other file documentation. [US Dept. of Agriculture/ NAP/ CFDA #10.551]	NAP	Open Active	Provide copy of revised Manual of Operations which shall include procedures adopted to ensure that all benefit issuances are accurately documented and calculated.
5. The CNMI should ensure that contractors comply with the provisions	TSD	Open Active	Provide copy of procedures adopted to monitor contractors to ensure compliance

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
of the Davis-Bacon Act. [US Dept. of the Interior/ DOI and Covenant Capital Projects/ CFDA #15.875]			with the Davis-Bacon Act as stated in the auditee response.
8. The CNMI should institute procedures to ensure timely follow-up of questioned costs for subrecipients. Additionally, the CNMI should begin inquiry of subrecipients as to the status of availability of audit reports.	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	The Department of Finance (DOF) sought the assistance of the Office of the Public Auditor (OPA) pertaining to monitoring subrecipients. On July 12, 1996, OPA provided DOF with guidelines that will help monitor subrecipients.  DOF should consider adopting the guidelines provided by OPA. DOF should then provide copy of procedures adopted to monitor subrecipients and in particular ensure the timely follow-up of questioned costs for subrecipients.
9. The Technical Services Division (TSD) should implement formal documentation procedures to memorialize the monitoring procedures performed, including the results of those procedures and any corrective actions taken, to ensure compliance with the above criteria. [Davis-Bacon Act - Highway Planning and Construction CFDA #20.205/ DOI and Covenant Capital Projects CFDA #15.875]	TSD	Open Active	Provide copy of procedures adopted to monitor contractors to ensure compliance with the Davis-Bacon Act as stated in the auditee response.
10. The CNMI should file the required annual reports to the EEOC and applicable Federal funding agencies. [Civil Rights - All Programs]	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of DOF's request to the cognizant audit agency and to the Inspector General of the Dept. of Interior for guidance in the applicability of EEOC reporting to the CNMI and its grantor agencies as stated in the auditee response.
<i>Federal Financial Reports</i>			
11. DOF should implement procedures to ensure that all required federal reports are filed in a timely manner. [Nutrition Assistance CFDA #10.551]	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide copy of the steps taken to ensure that required reports are submitted on a timely basis as stated in auditee response.
12. DOF should implement procedures to ensure that all required federal reports are filed in a timely manner. [Coastal Zone Management CFDA #11.419]	DOF	Open Active	Provide copy of procedures adopted to ensure that required reports are submitted on a timely basis as stated in auditee response.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
13. DOF should implement procedures to ensure that all required federal reports are filed in a timely manner. [Technical Assistance Grants, DOI and Covenant Capital Projects CFDA #15.875]	DOF	Open Active	Provide copy of the steps taken to ensure that required reports are submitted on a timely basis as stated in the auditee response.
14. DOF should submit PMS-272 reports on or before the prescribed deadline. [Medicaid / CFDA#93.778]	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of the steps taken to ensure that PMS-272 reports are submitted on a timely basis.
15. The CNMI should establish procedures to ensure the timely reconciliation of records between the two locations and that the FMS records be used as the basis for preparing the HCFA-64 reports. [Medicaid / CFDA#93.778]	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	Provide copy of procedures adopted to reconcile the HCFA-64 report with the Financial Management System as stated in auditee response.

*Administrative Requirements*

16. The CNMI should ensure that contracts funded by the federal grants specify compliance with all applicable federal laws. [DOI and Covenant Capital Projects CFDA #15.875]	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	Provide copy of memo reemphasizing that the standard terms and conditions' page should be attached to all contract copies to ensure that all contracts funded by the federal grants comply with all applicable federal laws as stated in auditee response.
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*Type of Services Allowed or Unallowed*

17. DPW should implement a written policy to ensure control over unused inventories of supplies remaining upon the termination of completion of a federal program, in accordance with the Common Rule. [All Programs]	DPW	Open Active	Provide copy of procedures in accordance with 23 CFR 635.122 adopted to ensure that contractors are paid only for materials actually used on a project as stated in auditee response.
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*Eligibility*

18. NAP should adhere to established policies and procedures for certifying and recertifying applicants and that NAP develop and implement monitoring procedures for verifying compliance with all requirements. [Nutrition Assistance/CFDA #10.551]	NAP	Open Active	Provide copy of revised Manual of Operations which shall include procedures to ensure adherence to established guidelines for certifying and recertifying applicants and monitoring procedures for verifying compliance with all the requirements.
19. NAP should comply with the requirements stated in the Manual of	NAP	Open Active	Provide a page of the logbook for the certification unit which was implemented to

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
Operations. The logbook of MEU reviews should be properly maintained in order for NAP to effectively control and monitor the disposition of the reviews. [Nutrition Assistance - CFDA #10.551]			monitor ME Unit dispositions for corrective actions and timely response as stated in the auditee response. Provide also copy of revised Manual of Operations as stated in the auditee response.
21. NAP should implement procedures to ensure that all future applications are processed within the required time limit. Applicants should not be penalized for delays caused by NAP. [Nutrition Assistance CFDA #10.551]	NAP	Open Active	Provide copy of procedures adopted to ensure that all applications are processed within the required time limit as stated in the auditee response. Provide also a copy of the revised Manual of Operations as stated in the auditee response.
22. NAP should introduce procedures to ensure that the eligibility criteria are adequately reviewed and documented during the eligibility determination process, such that the error rate is brought down to an acceptable level in the future. [Nutrition Assistance - CFDA #10.551]	NAP	Open Active	Provide copy of procedures adopted to ensure that the eligibility criteria are adequately reviewed and documented during the eligibility determination process. Provide also copy of revised Manual of Operations as stated in the auditee response.
23. NAP should comply with the requirements stated in the manual of Operations. Case file reviews, and any related corrective actions should be conducted and implemented in a timely manner. [Nutrition Assistance - CFDA #10.551]	NAP	Open Active	Provide copy of steps taken to ensure that case file reviews and related corrective actions are conducted and implemented in a timely manner. Provide also copy of revised Manual of Operations as stated in the auditee response.
24. NAP should comply with the requirements stated in the Manual of Operations. The MEU should be adequately staffed to carry out its responsibilities, and procedures should be implemented to ensure that field reviews are conducted in a timely manner. [Nutrition Assistance - CFDA #10.551]	NAP	Open Active	Provide copy of steps taken to ensure that MEU are adequately staffed and field reviews are conducted in a timely manner as stated in the auditee response.
<i>Special Tests and Provisions</i>			
27. The NAP Manual of Operations should be revised to specifically identify the NAP Unit responsible for implementing the prescribed collection	NAP	Open Active	Provide copy of revised Manual of Operations which shall include procedures to specifically identify the NAP Unit responsible for implementing the prescribed

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>procedures. Also, NAP should implement control and monitoring procedures to verify that all identified over issuances are properly recorded and filed. [Special tests and provisions related to the Nutrition Assistance Program - CFDA #10.551]</p>			<p>collection procedures and procedures to verify that all identified NAP Unit over issuances are properly recorded and filed.</p>
<i>Purchases/Disbursements</i>			
<p>28. All procurement regulations should be followed, and that adequate public notices be provided for all invitations to bid. [DOI and Covenant Capital Projects - CFDA #15.875]</p>	DOF	Open Active	<p>The auditee responded that the bid time for the cited contracts was expedited as the goods or services were needed in a shorter time frame. DOF should provide documentation to prove that a shorter period (less than 30 calendar days) was reasonable and necessary as stated in the auditee response.</p>
<p>29. Expenditures, net of premiums charged to other funds, of the Health Insurance Fund be appropriated by the CNMI Legislature. [Local Noncompliance]</p>	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	<p>Provide copy of document evidencing reclassification of the Health Insurance Fund as an Expendable Trust Fund rather than as part of the General Fund.</p>
<i>Property and Equipment</i>			
<p>30. DOF should compile equipment listings to meet the federal requirements. [All Programs]</p>	DOF	Open Delinquent (Outstanding since FY 1994 Single Audit)	<p>Provide status of the final revision of capitalization policy and the compilation of equipment listings.</p>
<i>Payables and Accrued Liabilities</i>			
<p>31. DOF should recognize in the books the retainage portion of ongoing contracts. [Highway Planning and Construction - CFDA #20.205]</p>	DOF	Open Delinquent (Outstanding since FY 1995 Single Audit)	<p>Provide results of review of the new financial management system to see if it addresses the auditors' recommendation as stated in auditee response.</p>

**3. Report No. AR-97-02 Issued March 4, 1997  
Audit of Compliance with the Compensation Adjustments Act  
(Government Salary Ceiling)**

Date(s) of followup letter(s) sent : 2/02/98  
Date(s) of response letter(s) received : 2/10/98 (DPH)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<i>Marianas Visitors Bureau</i>			
5. Take steps to recover the excess salaries paid to the officials.	MVB	Open Active	The MVB Managing Director responded that it is the Board's position that the cost to recover the excess salaries will exceed any recovery by a significant margin.  <i>Further Action Needed</i>  MVB Managing Director should provide evidence that legal costs would exceed the amounts to be recovered.
6. Limit the salaries of officials within the government salary ceiling.	MVB	Resolved Active	The MVB Managing Director responded that MVB will fully comply with any and all laws applicable to salaries.  <i>Further Action Needed</i>  MVB Managing Director should submit copy of personnel action showing reduction in the salary of the Comptroller.
7. Stop granting salaries in violation of the Compensation Adjustments Act or face future actions and be liable for excess salaries.	MVB	Resolved Active	The MVB Managing Director responded that MVB will fully comply with any and all laws applicable to salaries.  <i>Further Action Needed</i>  MVB Board should submit copy of directive to MVB Managing Director requiring enforcement of Compensation Adjustments Act.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
8. Revise the MVB salary schedule to comply with the government salary ceilings.	MVB	Resolved Active	<p>The MVB Managing Director responded that MVB will fully comply with any and all laws applicable to salaries.</p> <p><i>Further Action Needed</i></p> <p>MVB Managing Director should submit copy of a revised schedule of salaries of officials and employees showing maximum allowable salaries for each position.</p>
<i>Commonwealth Development Authority</i>			
9. Take steps to recover the excess salaries paid to the official.	CDA	Open Active	<p>The CDA Executive Director disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>CDA Executive Director should reconsider and implement recommendation.</p>
10. Limit the salary of the official within the government salary ceiling.	CDA	Open Active	<p>The CDA Executive Director disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>CDA Executive Director should reconsider and implement recommendation.</p>
11. Stop granting salaries in violation of the Compensation Adjustments Act or face future actions and be liable for excess salaries.	CDA	Open Active	<p>The CDA Executive Director disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>CDA Executive Director should reconsider and implement recommendation.</p>
12. Revise the CDA salary schedule to comply with the government salary ceilings.	CDA	Open Active	<p>The CDA Executive Director disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>CDA Executive Director should reconsider and implement recommendation.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<i>Northern Marianas College</i>			
13. Take steps to recover the excess salaries paid to the officials.	NMC	Open Active	The NMC President disagreed with the recommendation.  <i>Further Action Needed</i>  NMC President should reconsider and implement recommendation.
14. Limit the salaries of the officials within the government salary ceiling.	NMC	Open Active	The NMC President disagreed with the recommendation.  <i>Further Action Needed</i>  NMC President should reconsider and implement recommendation.
15. Stop granting salaries in violation of the Compensation Adjustments Act or face future actions and be liable for excess salaries.	NMC	Open Active	The NMC President disagreed with the recommendation.  <i>Further Action Needed</i>  NMC President should reconsider and implement recommendation.
16. Revised the NMC salary schedule to comply with the government salary ceilings.	NMC	Open Active	The NMC President disagreed with the recommendation.  <i>Further Action Needed</i>  NMC President should reconsider and implement recommendation.
<i>Commonwealth Ports Authority</i>			
17. Take steps to recover the excess salaries paid to the officials.	CPA	Open Active	The CPA Executive Director disagreed with the recommendation.  <i>Further Action Needed</i>  CPA Executive Director should reconsider and implement recommendation.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
18. Limit the salaries of the officials within the government salary ceiling.	CPA	Open Active	<p>The CPA Executive Director disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>CPA Executive Director should reconsider and implement recommendation.</p>
19. Stop granting salaries in violation of the Compensation Adjustments Act or face future actions and be liable for excess salaries.	CPA	Open Active	<p>The CPA Executive Director disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>CPA Executive Director should reconsider and implement recommendation.</p>
20. Revised the CPA salary schedule to comply with the government salary ceilings.	CPA	Open Active	<p>The CPA Executive Director disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>CPA Executive should reconsider and implement recommendation.</p>
<i>Office of the Governor</i>			
21. Take steps to recover the excess salaries paid to the officials.	GOV	Open Active	<p>The Governor disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>Governor should reconsider and implement the recommendation.</p>
22. Limit the salary of the Director of Personnel Management to \$50,000 and the Special Counsel for Legislation to \$48,000.	GOV	Open Active	<p>The Governor disagreed with the recommendation.</p> <p><i>Further Action Needed</i></p> <p>Governor should reconsider and implement the recommendation.</p>

**4. 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  
 Date(s) of response letter(s) received : 2/6/98 (OMB)

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Secretary of Finance should issue a memorandum instructing the P&S Director to develop and implement written policies and procedures regulating advance payments and contract monitoring such as those provided under FAR.	DOF	Resolved Delinquent	The Secretary of Finance stated that final rules and regulations regarding advance payments to contractors and contract monitoring will be included in the revised procurement regulations being developed by the AG's Office. In the meantime, he will instruct the P&S Director to issue interim policies and procedures regulating advance contract payments and contract monitoring, which is expected to be issued by January 31, 1997. He concurred that a contract administration section needed to be established to consolidate contract monitoring functions in one area. DOF is in the process of determining whether this section should be located in P&S, DOF's Secretary's Office, or the Governor's Office. In addition, the Governor responded to the recommendation. He stated the three interim actions which he expects to be taken by DOF pending adoption of the revised procurement regulations being developed by the AG's Office.
			<i>Further Action Needed</i>
			The Secretary of Finance should provide OPA with a copy of these interim written policies and procedures.
2. The Contracting Officers should initiate the termination of the contracts of contractors which we identified as having been paid without performing their work. Inform the P&S Director who should do the required contract termination procedures. (Contracts C50322 and C50297 were already canceled, thus, Recommendation 2 is not applicable).	<b>AGO</b> (in lieu of DOF response) for Contract C50322	Resolved Delinquent	The Acting Attorney General stated that the AG's Office has obtained a default judgment against Mr. Sablan. Collection under the judgment, however, is only possible to the extent that assets or income is available which can be attached. The AG's Office is continuing its efforts to collect in this matter.
			<i>Further Action Needed</i>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>3. The Contracting Officers should recover payments (including interest) made to contractors which we identified as having been paid without performing their work, and refer those who refuse to pay to the AG's Office for legal action.</p>	<p><b>ConCon Committee</b> for Contract C50297</p>	<p>Resolved Delinquent</p>	<p>The Acting Attorney General should provide OPA with a copy of documents showing recovery of payments from the contractor of Contract C50322.</p> <p>The former Chairman of the ConCon Committee stated that the Third ConCon was <i>not a part of the Executive Branch</i> or any of the other branches of the Commonwealth Government. He responded that since the Third ConCon Committee has ceased to exist, the Secretary of Finance should take the initiative to attempt to recover any such payments.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of the results of actions to recover payments (including interest) from the contractor of Contract C50297.</p>
	<p><b>Governor's Office</b> for Contracts C40222, C40122, C50098, C40113, and C50108</p>	<p>Resolved Delinquent</p>	<p>The Governor responded that inadequate written documentation does not necessarily mean that some or all of the services required under a contract were not provided. Thus, he is forming a review committee comprised of representatives of DOF and AG's Office be formed to independently review each of the contracts discussed in the report to determine whether and to what degree (1) the contract file documentation inadequately documents services actually rendered or (2) the vendor failed to provide the services required under the contract. Based on the review, appropriate corrective action will be initiated.</p> <p><i>Further Action Needed</i></p> <p>The Governor should provide OPA with (1) the target date for completion of the review and the names of the officials who will be responsible, (2) a copy of the results of the review and documents to evidence implementation.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>The Secretary of Finance should develop detailed procedures for the appropriate use of sole source procurement and direct the P&amp;S Director to implement such procedures, which should include:</p> <ol style="list-style-type: none"> <li>4. Enforcing the rule that all professional services contracts be awarded through competitive proposals.</li> <li>5. Ensuring that written determinations issued by the P&amp;S Director for sole source procurement contain sufficient detailed explanations as to why the contractor was considered as the only source for procurement.</li> <li>6. Ensuring that alternative sources be considered in sole source procurement.</li> </ol>	DOF	Resolved Delinquent	<p>On February 6, 1998, the Acting Special Assistant for Management and Budget provided us copy of the letter sent by the Office of Management and Budget (OMB) to the contractor. The letter served as notice to the contractor to stop work under contract no. C40276. OMB also requested that the overpayment of \$11,800 be paid back to the CNMI Government. However, OPA questioned the amount of the \$11,800 overpayment because based on available documents, the overpayment would be more than \$22,000.</p> <p><i>Further Action Needed</i></p> <p>To close the recommendations, the Special Assistant for Management &amp; Budget should provide OPA copies of (1) documentation evidencing completion of phase one by the contractor (e.g., Customs manual), (2) memorandum instructing the Procurement &amp; Supply Director to terminate Contract C40276, and (3) documents explaining the discrepancies on the amount of the overpayment as well as figures shown on the change order.</p> <p>The Secretary of Finance stated that final rules and regulations regarding sole source procurement will be included in the revised procurement regulations being developed by the AG's Office. In the meantime, he will have his staff develop interim procedures regarding competitive proposals, written justifications, and alternative sources for sole source procurement and direct the P&amp;S Director to ensure that these procedures are implemented. He expects that these written policies and procedures be issued by January 31, 1997.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of these interim written policies and procedures.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>7. The Secretary of Finance should issue a memorandum instructing the P&amp;S Director to develop and implement written policies and procedures regulating cost, scope of work and deliverables, and contract renewals such as those provided under FAR.</p>	DOF	Resolved Delinquent	<p>The Secretary of Finance stated that final rules and regulations regulating cost, scope of work and deliverables, and contract renewals will be included in the revised procurement regulations being developed by the AG's Office. In the meantime, he will have his staff develop interim procedures regarding cost negotiation justifications, change orders, deliverables, and contract renewals, and direct the P&amp;S Director to ensure that these procedures are implemented. He expects that these written policies and procedures be issued by January 31, 1997.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of these interim written policies and procedures.</p>
<p>The Secretary of Finance should issue a memorandum instructing the DOF - Accounting Section to:</p>	DOF	Open Delinquent	<p>The Secretary of Finance stated that he will issue a memorandum to the Director of Finance &amp; Accounting instructing to ensure that overpayments are recovered and that contract payment requests are adequately reviewed to ensure payment amounts is correct and contain all appropriate supporting documents.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of this memorandum and the results of Finance &amp; Accounting's actions to recover overpayments.</p>
<p>8. Recover or offset from future payments the \$15,079 overpayments to contractors.</p>			
<p>9. Adequately review contract payments to prevent double payments, payment of amounts different from the terms of contracts, and payments without supporting documents such as invoices or billing statements showing accomplishment of work by contractors. Inadequately supported payment requests should be rejected.</p>			

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>10. The Secretary of Finance should issue a memorandum instructing the P&amp;S Director to develop and implement written policies and procedures which will ensure that Contracting Agencies do not execute contracts with the same contractor that has the same scope of work and whose periods overlap.</p>	DOF	Open Delinquent	<p>The Secretary of Finance stated that he will issue a memorandum to the P&amp;S Director directing that written policies and procedures be developed to prevent multiple contracts with the same vendor for the same scope of work and overlapping contract periods.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of these policies and procedures.</p>
<p>Issue a memorandum to the P&amp;S Director:</p> <p>11. Requiring the staff to enforce compliance with procurement regulations on contract review, processing, and oversight.</p> <p>12. Instructing to develop and implement written policies and procedures regulating dating of contract periods to ensure that contracts do not become effective prior to the date of completion of contract processing.</p>	DOF	Open Delinquent	<p>The Secretary of Finance stated that he will issue a memorandum to the P&amp;S Director requiring compliance with the procurement regulations on contract review, processing, and oversight, and directing that written policies and procedures be developed and implemented to ensure that contracts do not become effective prior to completion of their processing.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of this memorandum and the policies and procedures to ensure that contracts do not become effective prior to the date of completion of contract processing.</p>
<p>13. Issue a memorandum to DOF - Accounting Section restricting payment for services performed prior to completion of contract processing.</p>	DOF	Open Delinquent	<p>The Secretary of Finance stated that he will issue a memorandum to the Director of Finance &amp; Accounting instructing to ensure that contract payment is not made prior to completion of contract processing.</p> <p><i>Further Action Needed</i></p> <p>The Secretary of Finance should provide OPA with a copy of this memorandum.</p>



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# Autonomous Agencies

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Commonwealth Ports Authority  
Commonwealth Utilities Corporation  
Public School System  
Tinian Casino Gaming Control Commission

# Commonwealth Ports Authority

**1. Report No. AR-95-11 issued August 1, 1995  
Audit of Credit Card and Related Travel Transactions**

Date(s) of followup letter(s) sent : 11/21/95, 3/7/96, 12/5/96, 2/02/98  
Date(s) of response letter(s) received : 12/6/95, 3/15/96, 3/27/96

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The CPA Board Chairman should require cardholders to reimburse CPA for all unallowable and unsupported credit card charges unless they can specifically identify the charges with CPA official business and present supporting documents.	CPA	Resolved Delinquent	In his previous response, the Board Chairman stated that the findings were already being pursued by the Attorney General's Office. In his letter dated 12/24/96, the Board Chairman enclosed a copy of the Executive Director's letter dated 12/24/96 to the Attorney General requesting an update on the status of the cases referred by CPA.  <i>Further Action Needed</i>  CPA should keep OPA updated on the status of the actions taken by the AG's Office every sixty days.
2. The CPA Board Chairman should recover the improper charges (for hotel accommodations and meals which were already covered by per diem allowances) from cardholders.	CPA	Resolved Delinquent	In his previous response, the Board Chairman stated that the findings were already being pursued by the Attorney General's Office. In his letter dated 12/24/96, the Board Chairman enclosed a copy of the Executive Director's letter dated 12/24/96 to the Attorney General requesting an update on the status of the cases referred by CPA.  <i>Further Action Needed</i>  CPA should keep OPA updated on the status of the actions taken by the AG's Office every sixty days.
3. The CPA Board Chairman should require reimbursement (of official representation and entertainment expenses) from cardholders unless they can specifically identify the charges with CPA official business.	CPA	Resolved Delinquent	In his latest response, the Board Chairman stated that the findings were already being pursued by the Office of the Attorney General.  <i>Further Action Needed</i>

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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approval of the Board for extraordinary expenses, such as official representation. The Board Chairman or a special committee for such purpose should be designated to approve extraordinary expenses of board members. Hence, board members cannot be pre-approved and authorized to incur official representation expenses without proper approval.

**2. 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  
Date(s) of response letter(s) received : 3/27/96, 12/24/96

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
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2. The CPA Board Chairman should recover the \$42,191 improper reimbursements from the board members unless they can specifically identify the expenses as CPA official business and/or present supporting documents.	CPA	Resolved Delinquent	In his letter response dated 3/27/96, the Board Chairman stated that out of the \$42,191 improper reimbursements, \$2,060 has been repaid (\$808.60 was offset against travel receivables and \$1,251.60 was directly paid to CPA). No updated response was made concerning the remaining balance of \$40,131 collectible from the former board chairman).
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*Further Action Needed*

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

3. The CPA Board Chairman should establish written procedures for board expense reimbursement that will ensure compliance with the requirements of the law (1 CMC, §8247 (c)).	CPA	Resolved Delinquent	CPA initially responded that internal control procedures will be implemented to address the recommendation. In his latest letter response dated 3/27/96, however, the Board Chairman stated that current travel policies and procedures should be adequate to account for board-related travel reimbursements.
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Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
4. The CPA Board Chairman should establish written policies and procedure to prevent financial interest violations in the future.	CPA	Resolved Delinquent	<p data-bbox="1000 300 1276 325"><i>Further Action Needed</i></p> <p data-bbox="1000 365 1471 552">The law provides that a board member may receive reimbursement for “extraordinary” expenses incurred during the performance of his duties <i>upon submission of receipts</i> or other proof of expenses and <i>upon specific approval</i> of the board.</p> <p data-bbox="1000 590 1471 1157">Our findings showed that improper reimbursements were made by CPA board members without any documentation showing that the expenses were board-related and without specific board approval. <i>Several of these expenses were not travel-related.</i> Consequently, there is a need to establish separate policies and procedures for board expense reimbursement. These should include requiring board approval (e.g. through a board committee established for such purpose) before reimbursements are made, completion of a board reimbursement form (or any appropriate documentation) to document the nature and purpose of the expenses, and providing a definition for allowable “extraordinary expenses.”</p> <p data-bbox="1000 1194 1419 1278">CPA should adopt official policies and procedures on board expense reimbursements.</p> <p data-bbox="1000 1325 1471 1577">In his letter response dated 3/27/96, the Board Chairman responded that the CPA Legal Counsel has been instructed to draft policies and procedures to prevent financial interest violations by board members and CPA employees. A copy of the letter to the Legal Counsel dated 3/15/96 was provided to us.</p> <p data-bbox="1000 1614 1276 1640"><i>Further Action Needed</i></p> <p data-bbox="1000 1680 1471 1795">CPA provide OPA the target date for completion of the draft policies and procedures. Upon completion, CPA should provide a copy of the draft to OPA.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
5. The CPA Board Chairman should decide whether DPW should be requested to reimburse CPA for the purchase of the trucks and document such arrangements through mutual agreement.	CPA	Resolved Delinquent	In his letter dated 12/24/96, the Executive Director stated that DPW has agreed to resolve the issue of repayment for the trucks, through in-kind heavy equipment services to CPA. This agreement will be formalized in a memorandum of understanding in the very near future.  <i>Further Action Needed</i>  CPA should update OPA on the status of this recommendation.
6. The CPA Board Chairman should take actions to recover the cost of the trucks from the former CPA officials for violating CPA procurement regulations.	CPA	Resolved Delinquent	CPA responded that the former officials will be notified to share in the cost of the vehicles.  <i>Further Action Needed</i>  CPA should update OPA on the status of this recommendation.

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

Date(s) of followup letter(s) sent : 12/5/96, 2/02/98  
Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The CPA Board Chairman should instruct the Executive Director to stop the issuance and renewal of agricultural permits, terminate all existing permits, and take steps to evict all individuals occupying CPA properties for residential purposes and those without permits.	CPA	Open Delinquent	The Board Chairman should reconsider and implement the recommendation.
2. The CPA Board Chairman should instruct the Executive Director to establish adequate procedures to monitor and control CPA properties, such as requiring the Lease Compliance and Enforcement Officer	CPA	Resolved Delinquent	Provide copy of written procedures or directives.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
to conduct regular visual inspections and to report nonport-connected activities and illegal encroachments of CPA properties by unauthorized individuals.			
3. The CPA Board Chairman should create a special committee to study and evaluate whether the issuance of short-term permits for the use of idle properties for nonport-connected purposes will benefit CPA and the general public. If so, CPA should draft the necessary legislation and seek the assistance of the Legislature to amend the existing law.	CPA	Open Delinquent	The Board Chairman should reconsider and implement the recommendation.
4. The CPA Board Chairman should stop the adoption of proposed policies which will allow the use of CPA properties for purposes unconnected with port operations, such as the proposed "Land Use Policy" currently undergoing review by the CPA Board. Such policies, if adopted, will be in violation of the law. Should the law be amended in the future, CPA should establish written policies and procedures to ensure competition and maximize revenues, such as public announcement of the availability of idle land for short-term leases, and compliance with competitive bidding procedures.	CPA	Open Delinquent	The Board Chairman should reconsider and implement the recommendation.
5. The CPA Board Chairman should prohibit transactions with board members, officials, employees, their relatives, and affiliated companies during their terms of office. Top level officials should be required to disclose their financial interests and familial relationships, and transactions with them should not be allowed.	CPA	Resolved Delinquent	Provide copy of memorandum prohibiting transactions with CPA officials and employees.
6. The CPA Board Chairman should invalidate all outstanding permits and leases to current and former board members, officials, and their relatives. These transactions may be terminated as provided under the Government	CPA	Open Delinquent	The Board Chairman should reconsider and implement the recommendation.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
Ethics Code Act of 1992 and the CPA Procurement Regulations.			
7. The CPA Board Chairman should establish written operating policies and procedures to ensure compliance of lessees with the terms and conditions of their leases and concession agreements. Lease operating policies and procedures should include verification of gross earnings of lessees, designation of responsible official(s), and regular reporting to management.	CPA	Open Delinquent	The Board Chairman should reconsider and implement the recommendation.
8. The CPA Board Chairman should instruct the Comptroller to design and implement a billing and accounting system that can readily provide information on rental payments and outstanding rentals owed by lessees. The system should include features such as notification to delinquent lessees and analysis of discrepancies in monthly rental collections.	CPA	Resolved Delinquent	Provide written description of procedures and copies of sample documents and reports generated by the system.
9. The CPA Board Chairman should renegotiate better terms and process the renewal (or termination, if warranted) of leases which have already expired, including those covered under "holdover" provisions. In the future, CPA should limit the duration of holdover periods through prompt renegotiation with lessees.	CPA	Open Delinquent	The Board Chairman should reconsider and implement the recommendation
10. The CPA Board Chairman should provide documentation of corrective actions taken against the lessees who did not secure approval of sublease agreements and the companies who occupied CPA property without a valid lease agreement.	CPA	Open Delinquent	The Board Chairman should reconsider and implement the recommendation.

# Commonwealth Utilities Corporation

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

Date(s) of followup letter(s) sent : 7/3/95, 9/20/95, 11/29/96, 2/02/98

Date(s) of response letter(s) received : 8/25/95, 10/3/95, 2/8/96, 12/27/96

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The CUC Executive Director should take action to recover the \$244,740.83 improperly paid to the former Executive Director relating to compensatory time payments and standby payments.	CUC	Resolved Delinquent	CUC has forwarded the matter to AGO for their action.  <i>Further Action Needed</i>  The CUC Executive Director should provide the Office of the Public Auditor documentation showing amount recovered from the former Executive Director.
3. The CUC Executive Director should recover \$13,142.39 (net of \$21,000 received) mistakenly paid as a retirement bonus to the former Executive Director and reverse the approximately 4,500 hours improperly credited for retirement purposes.	CUC	Resolved Delinquent	CUC has forwarded the matter to AGO for their action.  <i>Further Action Needed</i>  The CUC Executive Director should provide the Office of the Public Auditor documentation showing amount recovered from the former Executive Director.

## 2. 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, 2/02/98

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The CUC Executive Director should require the Comptroller to establish procedures to ensure that advances to employees are monitored, and collection actions are initiated on all advances that remain unliquidated beyond the period allowed by law.	CUC	Open Delinquent	The Operating Manual prepared by CUC did not contain procedures for the monitoring of advances to employees.  <i>Further Action Needed</i>  CUC should establish procedures relating

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
2. The CUC Executive Director should require the Comptroller to record the \$5,300 advance as a receivable and require the former Executive Director to return the amount.	CUC	Resolved Delinquent	<p>to the monitoring of advances to employees and provide copy of the procedures to OPA.</p> <p>The Executive Director responded that the amount will be recorded and that CUC will request the Attorney General's Office to take action to collect the amount from the former Executive Director.</p> <p><i>Further Action Needed</i></p> <p>CUC should provide OPA a copy of the journal voucher recording the amount, the request to the Attorney General, and the results of the actions taken.</p>
3. The CUC Executive Director should require the former Executive Director to return \$7,333 for the expenses paid twice and in error. For the hotel expenses of other travelers paid by the former Executive Director, recover the \$8,526 from the other travelers because they received per diem for paying the hotel, but kept the money instead.	CUC	Resolved Delinquent	<p>The Executive Director responded that CUC will refer the matter affecting the former Executive Director to the Attorney General's Office and that CUC will require identified employees to return the \$8,526.</p> <p><i>Further Action Needed</i></p> <p>CUC should provide OPA a copy of the letter referring the matter to the Attorney General and the results of actions taken. In addition, CUC should also provide OPA with the collection letters and the results of such collections made from the identified employees.</p>
5. The CUC Executive Director should require the former Executive Director to justify and present supporting documents for the \$23,368 in questioned expenses. If no documentation can be presented, require the former Executive Director to return the amount.	CUC	Resolved Delinquent	<p>The Executive Director responded that CUC will refer the matter to the Attorney General's Office to pursue as part of its ongoing investigation.</p> <p><i>Further Action Needed</i></p> <p>CUC should provide OPA a copy of the letter referring the matter to the Attorney General and the results of actions taken.</p>
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	CUC	Resolved Delinquent	<p>The Executive Director responded that CUC will implement specific policies regulating official representation and business entertainment expenses.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>should clearly indicate the officials authorized to incur such expenses, the circumstances when such expenses may be incurred, dollar limits on the amount that may be spent, and the places where such entertainment may be conducted. The procedures should include procedures on how to request advances and document official representation expenses.</p>			<p><i>Further Action Needed</i></p> <p>CUC should provide OPA a copy of the policies and procedures.</p>
<p>8. The CUC Executive Director should require the Comptroller to develop procedures on purchases requiring cash payment, wire transfers, and allowability of cash purchases for reimbursement.</p>	CUC	Resolved Delinquent	<p>The Executive Director responded that the Comptroller will develop and implement procedures regulating wire transfers and prepayments.</p> <p><i>Further Action Needed</i></p> <p>CUC should provide OPA a copy of the procedures.</p>
<p>10. The CUC Executive Director should require the Comptroller to check CUC records to ensure that items purchased by the former Executive Director were actually received by CUC.</p>	CUC	Open Delinquent	<p>The Executive Director agreed with the recommendation but did not provide a plan of action.</p> <p><i>Further Action Needed</i></p> <p>CUC should provide OPA a plan of action to ensure that items purchased by the former Executive Director were received.</p>
<p>11. The CUC Executive Director should require the former Executive Director to return the \$24,857 due for an oven, tensioned, and winding machine assembly which were never received and whatever amounts may be determined as a result of the above recommendations.</p>	CUC	Resolved Delinquent	<p>The Executive Director responded that CUC will refer this matter to the Attorney General's Office to pursue as part of its ongoing investigation.</p> <p><i>Further Action Needed</i></p> <p>CUC should provide OPA a copy of the letter referring the matter to the Attorney General and the results of actions taken.</p>
<p>12. The CUC Executive Director should formally adopt the CNMI policy on travel accommodations and car insurance.</p>	CUC	Resolved Delinquent	<p>The Executive Director responded that the CUC Board of Directors will adopt travel policies, either CNMI or as amended to fit CUC.</p>

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
			<p><i>Further Action Needed</i></p> <p>CUC should provide OPA a copy of the adopted travel policies.</p>

## Public School System

### 1. 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

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

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

# Tinian Casino Gaming Control Commission

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

Date(s) of followup letter(s) sent : 10/27/94, 11/18/94, 1/13/95, 7/6/95, 7/1/96, 12/2/96, 2/02/98  
 Date(s) of response letter(s) received : 12/19/94, 8/8/96 (Extension requested up to 10/8/96)

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

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
18. The Chairman of the TCGCC should establish written policies regarding individuals that might be allowed to travel using Gaming Commission funds.	TCGCC	Open Delinquent	Reconsider the recommendation. Although the subject is difficult to address, in order for the Gaming Commission to control its funds, written policies should be established which would require justification of travel of persons outside the immediate commission's members or staff. A copy should be provided to us.
19. The Chairman of the TCGCC should establish formal regulations to control official representation and grocery expenses.	TCGCC	Open Delinquent	In order to consider the recommendation closed, provide copy of regulations to control official representation and grocery expenses.
25. The Chairman of the TCGCC should establish in writing and enforce regulations in TR authorization requirements and voucher computations. The Gaming Commission should not allow the traveler to authorize his own travel.	TCGCC	Open Delinquent	Provide copy of written regulation which would disallow travelers to authorize his own travel request.
27. The Chairman of the TCGCC should issue a directive requiring the accountant's certification of funds before approval of payment of expenditures.	TCGCC	Open Delinquent	Reconsider the recommendation. Provide signed copy of directive requiring the accountant's certification of funds before approval of payment of expenditures.
28. The Chairman of the TCGCC should implement cost-cutting measures, monitor the revenue budget and expenditures, establish a special bank account for licensing cost deposits, maintain the accounting records in accordance with GAAP, implement travel regulations especially concerning the immediate return of travel advances by person whose travel is canceled, obtains updated Form W-4s from all employees, timely file and remit taxes, and checks the work of the timekeeper.	TCGCC	Resolved Delinquent	Provide us signed copy of the following directives: procurement policies, budget/expenditure, separation of bank account, accounting records maintain in accordance with GAAP, liquidation of travel advances, W-4 forms, tax payments, travel authorization, trip report and travel advances, travels policy, and timekeeping. Also, provide us the ff. docs. : bank a/c no. for the licensing cost deposit special bank a/c, copy of latest schedules of unliquidated or partially liquidated advances for collection, copy of reminders to be sent out to employees regarding collection of taxes receivable, copy of directive assigning a person to be responsible for making follow-up of the liquidation of long o/s travel advances, and include trip reports in the list of documents needed to be attached to each TV.



Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
<p>29. The Chairman of the TCGCC should issue directives or policies on assigning a person to monitor the receipts and disbursements of licensing cost deposit, proper documentation of charges against the licensing cost deposits of applicants, acceptable method of allocating operating and overhead cost to applicants' licensing cost, requiring the accountant to make the necessary adjustments to the FS, the revised duties and responsibilities of the Gaming Commission and the Municipal Treasurer, requiring the Municipal Treasurer to deposit all local revenues generated from casino-related operation to the Municipal Treasurer bank account, requiring the staff assigned to process payrolls to study and strictly comply with the rules on taxes.</p>	TCGCC	Open Delinquent	<p>Provide us the following memorandum and forms: directive assigning a person to monitor the receipts and disbursements of licensing cost deposit, policies on proper documentation of charges against the licensing cost deposits of applicants, procedures on an acceptable method of allocating operating and overhead cost to applicants' licensing cost, directive requiring the accountant to make the necessary adjustments to the FS, policies on the revised duties and responsibilities of the Gaming Commission and the Municipal Treasurer, directive requiring the Municipal Treasurer to deposit all local revenues generated from casino-related operation to the Municipal Treasurer bank account, directive requiring the staff assigned to process payrolls to study and strictly comply with the rules on taxes.</p>

# Independent Committee

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CNMI Labor Day Committee

# Independent Committee

**1. Report No. AR-95-19 issued November 7, 1995  
 CNMI Labor Day Committee  
 Audit of Receipts and Disbursements**

Date(s) of followup letter(s) sent : 7/16/96, 12/3/96, 02/02/98  
 Date(s) of response letter(s) received : None

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
1. The Executive Chairman of the Labor Day Committee should issue a directive disallowing the practices of: (a) spending the Committee's funds for appreciation parties, (b) distributing in-kind contributions to Committee officers and members, and (c) donating to other nonprofit organizations.	CLDC	Open Delinquent	The Executive Chairman should provide OPA a copy of the directive (a) abolishing the practice of having appreciation parties, (b) stopping the distribution of in-kind contributions to Committee officers and members, and (c) recognizing the committees in Rota and Tinian and the Committee's intention to extend monetary assistance upon request of the committees.
2. The Executive Chairman of the Labor Day Committee should prepare a budget to determine how much money and in-kind contributions are needed to be raised to cover the needs of the current year's activities.	CLDC	Open Delinquent	The Executive Chairman did not specifically state whether a budget will be prepared for each activity. He responded that it is unreasonable to limit the amount of contributions that can be received in a given year.  The Executive Chairman should provide OPA a copy of the letter requiring other Committee officers to annually meet with him for the preparation of a budget, and a copy of the budget prepared.
3. The Executive Chairman of the Labor Day Committee should adopt a policy for setting the amount of cash to be carried over to the following year as a reserve.	CLDC	Open Delinquent	The Executive Chairman responded that the Committee should be allowed to solicit and raise money 50% more than what is needed.  The Executive Chairman should address the recommendation. He should provide OPA a copy of the policy for setting the amount of cash to be carried over to the following year as a reserve.
4. The Executive Chairman of the Labor Day Committee should refer to the Attorney General for further	CLDC	Resolved Delinquent	The Executive Chairman should provide OPA a copy of the letter request to the Attorney General.

Recommendation	Agency to Act	Status	Agency Response/ Additional Information or Action Required
investigation the matter relating to the disappearance of the Committee's PA System.			
6. The Executive Chairman of the Labor Day Committee should establish and implement written policies and procedures to maintain a permanent record of fixed assets and all other property, to designate a custodian, and to document transfer of custodial responsibilities.	CLDC	Resolved Delinquent	The Executive Chairman responded that the members of the Executive Committee will develop written policies and procedures to control fixed assets and all other property of the Committee.  The Executive Chairman should provide OPA a copy of the written policies and procedures.
7. The Executive Chairman of the Labor Day Committee should develop and implement written policies and procedures to define, communicate, and monitor controls over collections, disbursements, and disposition of in-kind contributions received.	CLDC	Resolved Delinquent	The Executive Chairman responded that the members of the Executive Committee will develop written policies and procedures to define, communicate, and monitor controls over collections, disbursements, and disposition of in-kind contributions.  The Executive Chairman should provide OPA a copy of the written policies and procedures.
8. The Executive Chairman of the Labor Day Committee should (a) file the required annual report with the CNMI Registrar of Corporations and (b) submit application for tax-exempt status and file the required annual information return with the CNMI Division of Revenue and Taxation.	CLDC	Resolved Delinquent	(a) The Executive Chairman did not include in his response that he will file an annual report with the CNMI Registrar of Corporations. However, based on our telephone conversation on October 23, 1995, he said that he had already filed the annual report.  (b) The Executive Chairman responded that he will file an application for tax exemption for the Committee and the required annual information return with the CNMI Division of Revenue and Taxation.  The Executive Chairman should provide OPA a copy of the (a) annual report, and (b) application for tax exemption and annual information return acknowledged "received" by the CNMI Registrar of Corporations and the CNMI Division of Revenue and Taxation respectively.

# APPENDIX A

## LIST OF 1994 AND 1995 AUDITS WITH OPEN OR RESOLVED RECOMMENDATIONS CONSIDERED DELINQUENT AS OF DECEMBER 1997

Report No.	Agency to Act	Year Issued	No. of Delinquent Recommendations
AR-94-03	Tinian Casino Gaming Control Commission	1994	10
AR-94-05	Department of Public Safety	1994	11
AR-95-19	CNMI Labor Day Committee	1995	7
AR-95-17	Commonwealth Ports Authority	1995	5
AR-95-11	Commonwealth Ports Authority	1995	4
AR-95-07	Commonwealth Utilities Corporation	1995	2
AR-95-12	Commonwealth Utilities Corporation	1995	9
AR-95-02	Department of Community and Cultural Affairs	1995	5
AR-95-16	Department of Lands and Natural Resources	1995	8
AR-95-03	Department of Public Health	1995	1
AR-95-15	Department of Public Health	1995	1
AR-95-06	Department of Public Safety	1995	5
AR-95-09	Department of Public Safety	1995	1
AR-95-21	Department of Public Works	1995	2
LT-95-04	Municipality of Rota	1995	1
LT-95-06	Municipality of Tinian	1995	2
AR-95-04	Municipality of Norther Islands	1995	1
	Total		75

# APPENDIX B

## Acronym Used

AGING	Office of Aging
AGO	Office of the Attorney General
AR	Audit Report
BGRT	Business Gross Receipt Tax
BMV	Bureau of Motor Vehicles
CAO	Carolinian Affairs Office
CDA	Commonwealth Development Authority
CFDA	Catalogue of Federal Domestic Assistance
CHC	Commonwealth Health Center
CJIS	Criminal Justice Information System
CLDC	CNMI Labor Day Committee
CNMI	Commonwealth of the Northern Mariana Islands
CONCON	Constitutional Convention
CPA	Commonwealth Ports Authority
CRM	Coastal Resources Management
CUC	Commonwealth Utilities Corporation
DDC	Developmental Disabilities Council
DEQ	Division of Environmental Quality
DL	Driver's License
DLNR	Department of Lands & Natural Resources
DOF	Department of Finance
DOI	US Department of the Interior
DPH	Department of Public Health
DPL	Division of Public Lands
DPS	Department of Public Safety
DPW	Department of Public Works
EDP	Electronic & Data Processing
EEOC	Equal Employment Opportunity Commission
EMO	Emergency Management Office
ESPR	Excepted Service Personnel Regulations
FAR	Federal Acquisition Regulations
FLSA	Fair Labor Standards Act
FS	Financial Statements
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GHI	Group Health Insurance
GOV	Office of the Governor
ID	Identification
IRS	Internal Revenue Services
LT	Letter Report

LWOP	Leave Without Pay
MBG	MBG Management Services, Inc.
M/HLO	Marianas/Hawaii Liaison Office
MPLC	Marianas Public Land Corporation
MVB	Marianas Visitors Bureau
NAP	Nutrition Assistance Program
NMC	Northern Marianas College
NMSCI	Northern Marianas Seafood Corporation, Inc.
OPA	Office of the Public Auditor
OPM	Office of Personnel Management
P&S	Procurement & Supply
PIC	Pacific Islands Club
PIDB	Pacific Islands Development Bank
PO	Purchase Order
PSSRR	Public School Personnel System Rules and Regulations
PSS	Public School System
RHC	Rota Health Center
RMO	Rota Mayor's Office
TA	Travel Authorization
TCGCC	Tinian Casino Gaming Control Commission
TR	Travel Request
TV	Travel Voucher

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