

EXECUTIVE SUMMARY

Audit of Controls Over the Nonresident Worker Application Process

Report No. AR-05-02, June 06, 2005

Summary

This report presents the results of the Office of the Public Auditor's (OPA) audit of controls over the nonresident worker application process at the CNMI Department of Labor (DOL). The objective of the audit was to determine whether labor and immigration fees associated with nonresident worker applications and accepted for processing by the DOL agreed with the amounts collected from the Department of Finance (DOF). The audit covered transactions relating to the submission of nonresident worker applications from October 18, 1999 through January 05, 2004.

In its audit, OPA found that the DOL accepted applications for 2,293 nonresident workers for which the required fees were not collected by the DOF. This occurred due to inadequate internal controls at DOL. As a result, nonresident worker application fees totaling \$512,410 were not collected during the period from October 18, 1999 to January 05, 2004.

The DOL had in place established procedures relating to the processing of nonresident worker permit applications. As described in the audit report, these procedures were intended to ensure that (1) the correct fees are collected by the DOF before applications are processed; and, (2) the Labor and Immigration Identification System (LIIDS) database will have an information trail to the records of payment.

To determine whether the correct fees were collected before applications were accepted, OPA analyzed and compared the common fields of reference contained in the DOF's cash receipt collection database and the nonresident worker application submission database of LIIDS.

OPA discovered significant discrepancies initially amounting to \$10,557,935 between the DOF cash receipt system and the LIIDS. Further analyses determined that these discrepancies were largely attributable to data input errors, a common example of which was the erroneous inputting of telephone numbers or Official Receipt (OR) numbers as payments for application fees. After eliminating these types of errors, the remaining unaccounted difference decreased to \$878,975.

OPA further narrowed the analysis to ten employers for which the initial comparison showed discrepancies of over \$2,000. Again, OPA found numerous data input errors. This further analysis eliminated eight employers, leaving OPA's focus to two employers, referred to in the audit report as Companies A and B¹.

OPA's analyses for Companies A and B covered 69 OR numbers involving a total of 2,293 applications submitted, but for which fees were not collected by the DOF. Of the total, 1,486 were submitted by Company A which included 1,469 one year applications and 17 extensions varying from 1 to 3 months. Company B submitted 807 applications for which fees were not collected by the DOF.

Based on OPA's analysis, DOL had been receiving applications without ensuring that the correct amount of fees were collected. The following are examples of the types of discrepancies noted:

1. On 5/23/00 OR number 121485 was issued for the payment of an Alien Physical Exam Clearance for Company A. The amount collected was \$ 20.00. However, OPA found that 39 applications were actually submitted using this single OR number. These applications alone amounted to \$8,775 in uncollected fees.
2. On 4/16/01 OR number 305640 was issued to pay for the submission of a nonresident worker application for an employer unrelated to either Company A or B. The amount collected

¹

In accordance with the Auditing Act, 1 CMC § 7823(c), OPA does not disclose names of individuals in its report.



was \$225. However, OPA found that 11 and 26 applications were submitted for Company A and Company B, respectively, using the same OR number as reference for payment. This resulted in a loss of \$2,475 due from Company A and \$5,850 due from Company B.

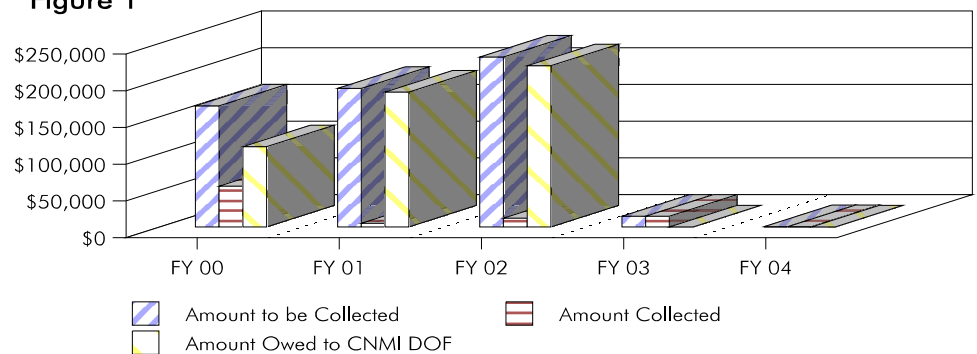
3. On 1/4/02 OR number 461675 was issued to pay for an Alien Registration Fee for Company A. The amount collected was \$50.00. However, OPA found that 99 applications were actually submitted using the same OR number as reference for payment. This resulted in a loss of \$22,275 for this OR number alone.

The discrepancies were not discovered previously because the DOL's internal controls involving the process of receiving and entering nonresident worker applications into the LIIDS were inadequate. The DOL lacked control measures to ensure that the applications were paid prior to the entering of application information into the LIIDS. If the DOL had retained the required submission of proof of payment document(s), and if proper segregation of duties existed (*see below*), the data entry personnel of DOL would have been able to ensure that employers paid for the applications prior to entering the application information.

Because the DOL accepted applications without collecting the correct amount of fees, the CNMI did not collect revenues of \$512,410. A total of \$ 330,835 in labor fees was not collected from Company A while \$181,575 was not collected from Company B. As illustrated in the chart below (Figure 1), the losses in revenue started in Fiscal Year 2000 and peaked in Fiscal Year 2002. Although discrepancies were noted in Fiscal Years 2003 and 2004, they were explainable and did not result in lost revenue.

Recommendations and Response

Figure 1



OPA recommended that: (1) Enforce Section II B(3) of the DOL Alien Labor Rules and Regulations which requires the submission of proof of payment with other required documents; (2) Direct that managers and supervisors responsible for reviewing and approving do not also receive and input applications; (3) In collaboration with the DOF, establish controls for periodic comparison between the fees reflected on the DOL's records and fees actually collected as shown on DOF's records so that corrective actions can be taken if necessary; (4) Recover uncollected fees of \$330,835 from Company A and \$181,575 from Company B.

In its response letter dated May 31, 2005, DOL concurred with OPA's findings and agreed to implement the recommendations set forth in the audit report. Accordingly, OPA considers Recommendations 1, 2, 3 and 4 resolved.



A copy of this report is available at the Office of the Public Auditor

Michael S. Sablan, CPA
Public Auditor
Commonwealth of the Northern Mariana Islands
Web Site: www.opacnmi.com

P.O. Box 501399
Saipan, MP 96950
Tel. No. (670) 234-6481
Fax No. (670) 234-7812

**Audit of Controls Over the
Nonresident Worker Application Process**





Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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

1236 Yap Drive

Capitol Hill, Saipan, MP 96950

Mailing Address:

P.O. Box 501399

Saipan, MP 96950

E-mail Address:

mail@opacnmi.com

Phone: (670) 322-6481

Fax: (670) 322-7812

June 06, 2005

Dr. Joaquin A. Tenorio
Secretary
Department of Labor
Commonwealth of the
Northern Mariana Islands
Caller Box 10007
Saipan, MP 96950

Dear Dr. Tenorio:

**Subject: Audit of Controls Over the Nonresident Worker Application Process
(Report No. AR-05-02)**

This report presents the results of the Office of the Public Auditor's (OPA) audit of controls over the nonresident worker application process. The objective of the audit was to determine whether labor and immigration fees, associated with nonresident worker applications, accepted for processing by the Department of Labor (DOL) agreed with the amounts collected from the Department of Finance (DOF). The audit covered transactions relating to the submission of nonresident worker applications from October 18, 1999 through January 05, 2004.

In its audit, OPA found that the DOL accepted applications for 2,293 nonresident workers for which the required fees were not actually collected by the DOF. This occurred due to inadequate internal controls. DOL, although required by established application procedures, did not always ensure that the fees for nonresident worker applications, as computed and shown in the application vouchers, agreed with the actual amounts collected by the DOF. As a result, nonresident worker application fees totaling \$512,410 were not collected during the period from October 18, 1999 to January 05, 2004.

BACKGROUND

Under the Second Reorganization Plan of 1994, Executive Order (E.O.) 94-3 Section 301(b)(1)¹, the Division of Labor was transferred from the Department of Commerce to the then newly established Department of Labor and Immigration (DOLI). E.O. 94-3 also provided a Secretary of Labor and Immigration to head the new DOLI. Under 1 CMC § 2472, the Chief of Labor (later renamed the Director of Labor) was “responsible for the day-to-day supervision and administration of matters involving labor”. This included the processing of nonresident worker applications.

On March 10, 2003, the Governor issued Executive Order 03-01, the Department of Labor and Immigration Reorganization Plan of 2003 (2003 DOLI Reorganization Plan). Under the 2003 DOLI Reorganization Plan the DOLI, still headed by the Secretary of Labor, was renamed the Department of Labor (DOL), and the Director for the Division of Labor continued to serve at the pleasure of the Secretary. The Division of Immigration, formerly under the DOLI, was transferred to the Office of the Attorney General, pursuant to the 2003 DOLI Reorganization Plan. The 2003 DOLI Reorganization Plan also provided that the Director of Immigration would be appointed by and serve at the pleasure of the Attorney General. The Labor and Immigration Identification Data System (LIIDS) Office within the Division of Immigration, however, was transferred to the Office of the Governor. Despite the DOLI reorganization, the DOL, the Division of Immigration, and the LIIDS office all are involved in the processing of nonresident worker applications.

The DOF collects the fees related to nonresident worker applications, as the DOF is responsible for the receipt, deposit, custody and recording of all such revenues. The nonresident worker application fee totaled \$225 annually², which consisted of a \$175 Alien Labor Permit Fee, a \$25 Entry Permit Fee, and a \$25 Alien Deportation Fee. A nonresident worker permit can also be extended for a period not to exceed 90 days of the original expiration at a fee of \$10 per month.

Prior to the submission of a nonresident worker application, the employer is required to obtain a voucher from the DOL’s processing section. Typically, the employer is required to “pre-submit” the application to allow DOL personnel to identify the number and type (New, Renewal or Extension, Other) of application to be submitted. Based on the information provided to the DOL, a voucher is prepared detailing the amount required to be paid by the employer before the DOL accepts the application. Payment of the required fee(s) is made with the DOF.

After payment has been made, the employer then returns to the DOL processing section with the application to be submitted accompanied by the receipt. A DOL employee reviews the amount

¹ E.O. 94-3, Section 301 was later codified in 1 CMC § 2001 et. seq.

² This report covers the period of October 18, 1999 through January 05, 2004. However, as of August 6, 2004 the fee for a nonresident worker application was raised from \$225 to \$275 annually.

paid by the employer and compares it with the amount stated on the voucher. If the receipt and voucher amounts match, the application count is verified and the DOL employee writes the receipt number on the space provided on the voucher form and accepts the application. On the other hand, if the receipt and voucher amounts do not match, the application is not accepted.

OBJECTIVE, SCOPE AND METHODOLOGY

OPA's audit objective was to determine whether labor and immigration fees associated with nonresident worker applications accepted for processing by the DOL agreed with the amount collected by the DOF.

The audit covered transactions relating to labor and immigration fees associated with the submission and review of nonresident worker applications from October 18, 1999 through January 5, 2004.

To accomplish its audit objective, OPA: (1) interviewed appropriate officials of the DOL and the DOF to obtain information about the procedures for acceptance of nonresident worker applications and the DOF cash receipts process; (2) reviewed the effectiveness of existing internal controls; and (3) examined selected transactions within the DOL system for processing applications.

This audit was done in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Accordingly, OPA conducted such tests of records and other auditing procedures as we considered necessary.

PRIOR AUDIT COVERAGE

An audit of this subject has not been performed in the past 10 years.

DISCUSSION OF FINDINGS

OPA found that the DOL accepted applications for 2,293 nonresident workers for which the required fees were not actually collected by the DOF. This occurred due to inadequate internal controls. DOL, although required by established application procedures, did not always ensure that the fees for nonresident worker applications, as computed and shown in the application vouchers, agreed with the actual amounts collected by the DOF. As a result, nonresident worker application fees totaling \$512,410 were not collected during the period from October 18, 1999 to January 05, 2004.

In accepting nonresident worker permit applications, the DOL established the following steps: 1) the employer "pre-submits" a nonresident worker application to the DOL processing section; 2) using the information on the pre-submitted application, a DOL personnel computes the fees and records the computations and amounts on an "application voucher"; 3) the employer then

presents the application voucher to the DOF cashier and pays the computed fees; 4) once payment has been made, the employer presents the official receipt and application voucher back to DOL personnel; 5) the DOL personnel verifies whether the number of applications being submitted and the amount paid to the DOF agree with the number and amount stated on the voucher; 6) upon verification of proper payment, an application count is verified and accepted by DOL personnel; if proper payment is not made, DOL personnel are instructed not to accept the application; and 7) DOL personnel are required to retain two copies of the application voucher on which the official receipt number is written for reference and for future recording in the LIIDS database. The intent of these series of steps is for DOL personnel to: 1) ensure that the correct fees are collected before applications are processed; and 2) ensure that the LIIDS database will have an information trail to the records of payment.

To determine whether the correct fees were collected before applications were accepted, we analyzed common fields of reference contained in the cash receipt collection database of the DOF cash receipt system and the nonresident worker application submission database of LIIDS (including official cash receipts numbers, amounts and the names of payors/employers), and compared the two computer databases. For the initial comparison, we narrowed the scope to instances when the LIIDS database showed that application fees collected were higher than the amounts collected as shown in the DOF cash receipt database. LIIDS showed a total of 1,197 Official Receipts numbers (OR numbers) with total collections of \$11,681,551, while DOF showed only a total collection of \$1,123,615, a difference of \$10,557,935 for the same receipts. (This preliminary discrepancy was further analyzed by OPA; *see below* for discussion of the true magnitude of the discrepancy)

OPA performed further analytical procedures to attempt to account for the \$10,557,935 in discrepancies. Based on these procedures we determined that most of the difference was due to instances when telephone or OR numbers were entered by DOL personnel as amounts of payments. By eliminating these obvious recording errors, the remaining unaccounted difference decreased to \$878,975.

OPA further narrowed the scope of analysis to ten employers for which the initial comparison showed discrepancies of over \$2,000. Again, we found numerous data input errors like OR numbers being entered erroneously and applications being listed under different OR numbers. This third level of review eliminated eight employers, leaving our focus on two employers whom we will refer to as Companies A and B³.

³ In accordance with the Auditing Act, 1 CMC § 7823(c), OPA does not disclose names of individuals in its report.

Our analyses for Companies A and B covered 69 OR numbers involving a total of 2,293 applications submitted, but for which fees were not collected by the DOF. Of the total, 1,486 were submitted by Company A which included 1,469 one year applications and 17 extensions varying from 1 to 3 months. Company B submitted 807 applications for which fees were not collected by the DOF.

Based on our analysis, it appeared that the DOL had been receiving applications without ensuring that the correct amount of fees were collected. The following are examples of the discrepancies we noted:

1. On 5/23/00 OR number 121485 was issued to pay for an Alien Physical Exam Clearance for Company A. The amount collected was \$ 20.00. However, we found that 39 applications were actually submitted and entered into LIIDS using the same OR number as reference for payment. These applications alone amounted to \$8,775 in uncollected fees.
2. On 4/16/01 OR number 305640 was issued to pay for the submission of a nonresident worker application for an employer unrelated to either Company A or B. The amount collected was \$225. However, we found that 11 and 26 applications were submitted and entered into LIIDS for Company A and Company B, respectively, using the same OR number as reference for payment. This resulted in a loss of \$2,475 due from Company A and \$5,850 due from Company B.
3. On 1/4/02 OR number 461675 was issued to pay for an Alien Registration Fee for Company A. The amount collected was \$50.00. However, we found that 99 applications were actually submitted and entered into LIIDS using the same OR number as reference for payment. This resulted in a loss of \$22,275 for this OR number alone.

The discrepancies were not discovered previously because the DOL's internal controls involving the process of receiving and entering nonresident worker applications into the LIIDS were inadequate. The DOL lacked control measures to ensure that the applications were paid prior to the entering of application information into the LIIDS. If the DOL had retained the required submission of proof of payment document(s), and if proper segregation of duties existed (*see below*), the data entry personnel of DOL would have been able to ensure that employers paid for the applications prior to entering the application information.

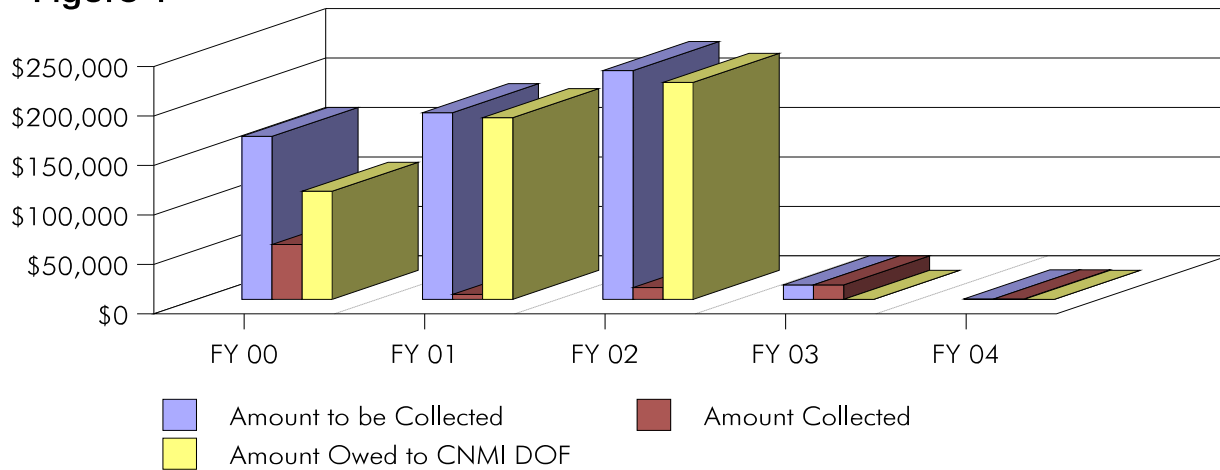
Segregation of duties and designation of specific duties and responsibilities to personnel were lacking in the application receiving and input processes. To have good internal control, an individual should not be allowed concurrent access or control to all critical aspects of a transaction. However, OPA found that certain DOL employees were allowed to compute the amount of fees, accept applications, verify if the correct fees were paid, input application information into the LIIDS and review and approve applications. Under such conditions, discrepancies, whether or not committed in error, may not be discovered. These conditions also make it easier for DOL and outside parties to collude and thus allow the processing of nonresident worker applications even if the appropriate fees were not paid. To strengthen controls it is critical that the following

functions be segregated and performed by different personnel: (1) the receiving of nonresident worker applications,(2) the verifying of payments and (3)the inputting of application information to the LIIDS. In addition, it is critical that only supervisors and managers are authorized to review and approve applications.

OPA also found that, the DOL did not perform periodic analytical procedures to compare revenues associated with applications submitted against the payments collected by DOF for nonresident worker applications. Such analyses would have shown substantial discrepancies and could have prompted immediate action from DOL and DOF management. This periodic reconciliation could have been a key control activity in identifying material discrepancies that warranted investigation.

Because the DOL accepted applications without collecting the correct amount of fees, the CNMI did not collect revenues of \$512,410. A total of \$ 330,835 in labor fees was not collected from Company A while \$181,575 was not collected from Company B. As illustrated in the chart below (Figure 1), the losses in revenue started in Fiscal Year 2000 and peaked in Fiscal Year 2002. Although discrepancies were noted in Fiscal Years 2003 and 2004, they were explainable and did not result in lost revenue.

Figure 1



For a more detailed receipt analysis see **Appendix A**

CONCLUSION AND RECOMMENDATIONS

OPA found that the DOL accepted applications for 2,293 nonresident workers for which the required fees were not actually collected by the DOF. This occurred due to inadequate internal controls. DOL, although required by established application procedures, did not always ensure that the fees for nonresident worker applications, as computed and shown in the application vouchers, agreed with the actual amounts collected by the DOF. As a result, nonresident worker application fees totaling \$512,410 were not collected during the period from October 18, 1999 to January 05, 2004.

Accordingly, we recommend that the Secretary of the DOL:

1. Enforce Section II B(3) of the DOL Alien Labor Rules and Regulations which requires the submission of proof of payment with other required documents.
2. Direct that managers and supervisors responsible for reviewing and approving do not also receive and input applications.
3. In collaboration with the DOF, establish controls for periodic comparison between the fees reflected on the DOL's records and fees actually collected as shown on DOF's records so that corrective actions can be taken if necessary.
4. Recover uncollected fees of \$ 330,835 from Company A and \$181,575 from Company B.

DOL Response

In a letter dated May 31, 2005 (**Appendix B**), the Acting Secretary of Labor stated that the DOL will be establishing procedures within the department that would allow for better controls to ensure that the fees for nonresident worker applications, as computed and shown in the application vouchers, agreed with the actual amounts collected by the DOF. The proposed procedures as per the recommendations made are as follows:

Recommendation 1, the DOL will ask the DOF to produce one receipt per application that is being paid. The receipt will be attached to it's respective application and would allow for the performance of the newly established procedure in response to recommendation two (*see below*).

Recommendation 2, an independent verification of proper payment of fees will be performed by the application reviewer. Someone other than the person who initially received the application, will perform a second examination of the amounts stated on the receipt and the voucher, respectively.

Recommendation 3, daily summaries for fees actually collected will be requested from the DOF. The DOL will use the summaries to compare the fees actually collected as shown on DOF's records against the fees that should have been collected as per the DOL' records and discrepancies, if any, will be investigated.

Recommendation 4, the response that the DOL would make with regards to this recommendation will be based on the conclusions drawn by the investigators tasked with identifying the responsible parties for the uncollected fees identified.

OPA Comments

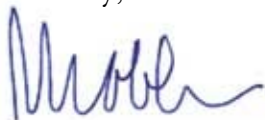
Based on the response we received from the DOL, we consider recommendations 1, 2, 3 and 4 as resolved.

★ ★ ★

Our office has implemented an audit recommendation tracking system. All audit recommendations will be included in the tracking system as open or resolved until we have received evidence that the recommendations have been implemented. 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 which the auditors are satisfied that the client cannot take immediate action, but has established a reasonable plan and time frame of action. A *closed* recommendation is one in which the client has taken sufficient action to meet the intent of the recommendation or we have withdrawn it.

Please provide us the same status of recommendation implementation within 30 days along with documentation showing the specific actions taken. If corrective actions will take longer than 30 days, please provide us additional information every 60 days until we notify you that the recommendation has been closed.

Sincerely,



Michael S. Sablan, CPA
Public Auditor

cc: Secretary of Finance
Attorney General

Appendix A

Summary of Applications Accepted without Proper Payment to the DOF for Companies A and B by Receipt

Receipt ¹	Submission Date ²	No. of Applications Accepted for Processing for Company A ³	Dollar Amount of Applications Accepted for Processing for Company A ⁴ (I)	No. of Applications Accepted for Processing for Company B ³	Dollar Amount of Applications Accepted for Processing for Company B ⁴ (II)	Total Payment that Should Have Been Made to the DOF (I+II)=III	Actual Payment Made to DOF ⁵ (IV)	Amount Owed to the CNMI (III-IV)	Net Due from Company A	Net Due from Company B
20374	11/8/1999	76	\$ 17,100.00	0	-	\$ 17,100.00	\$ 16,875.00	\$ 225.00	\$ 225.00	\$ -
82760	3/23/2000	40	9,000.00	2	450.00	9,450.00	4,950.00	4,500.00	4,500.00	-
82725	3/21/00, 3/27/00	37	8,325.00	0	-	8,325.00	4,725.00	3,600.00	3,600.00	-
82728	3/27/2000	1	225.00	0	-	225.00	-	225.00	225.00	-
121487	5/23/2000	0	-	22	4,950.00	4,950.00	-	4,950.00	-	4,950.00
121483	5/23/2000	26	5,850.00	0	-	5,850.00	-	5,850.00	5,850.00	-
121485	5/23/2000	39	8,775.00	0	-	8,775.00	-	8,775.00	8,775.00	-
129008	6/9/2000	18 and 2 Ext.	4,110.00	0	-	4,110.00	-	4,110.00	4,110.00	-
129005	6/9/2000	0	-	34	7,650.00	7,650.00	-	7,650.00	-	7,650.00
135629	6/21/2000	17	3,825.00	0	-	3,825.00	-	3,825.00	3,825.00	-
135628	6/21/2000	0	-	16	3,600.00	3,600.00	-	3,600.00	-	3,600.00
139555	6/26/2000	1	225.00	22	4,950.00	5,175.00	225.00	4,950.00	-	4,950.00
164726	8/12/2000	0	-	20	4,500.00	4,500.00	-	4,500.00	-	4,500.00
174603	8/18/2000	1	225.00	0	-	225.00	-	225.00	225.00	-
16425	8/18/2000	1	225.00	0	-	225.00	-	225.00	225.00	-
164727	8/18/2000	16	3,600.00	0	-	3,600.00	-	3,600.00	3,600.00	-
164725	8/18/2000	30	6,750.00	0	-	6,750.00	-	6,750.00	6,750.00	-

Appendix A

Receipt ¹	Submission Date ²	No. of Applications Accepted for Processing for Company A ³	Dollar Amount of Applications Accepted for Processing for Company A ⁴ (I)	No. of Applications Accepted for Processing for Company B ³	Dollar Amount of Applications Accepted for Processing for Company B ⁴ (II)	Total Payment that Should Have Been Made to the DOF (I+II)=III	Actual Payment Made to DOF ⁵ (IV)	Amount Owed to the CNMI (III-IV)	Net Due from Company A	Net Due from Company B
164734	8/25/2000	0	-	12	2,700.00	2,700.00	-	2,700.00	-	2,700.00
183699	9/13/2000	24 and 1 Ext.	5,430.00	0	-	5,430.00	-	5,430.00	5,430.00	-
183697	9/13/2000	15 and 3 Ext.	3,465.00	0	-	3,465.00	-	3,465.00	3,465.00	-
83699	9/13/2000	1	225.00	0	-	225.00	-	225.00	225.00	-
183719	9/15/2000	0	-	41	9,225.00	9,225.00	1,125.00	8,100.00	-	8,100.00
191169 ⁶	9/27/2000	50 and 1 Ext.	11,280.00	0	-	11,280.00	30.00	11,250.00	11,250.00	-
191171	9/29/2000	42	9,450.00	0	-	9,450.00	-	9,450.00	9,450.00	-
191172	9/29/2000	0	-	5	1,125.00	1,125.00	-	1,125.00	-	1,125.00
FY00									71,730.00	37,575.00
218924	11/14/2000	115	25,875.00	0	-	25,875.00	-	25,875.00	25,875.00	-
234683	12/20/2000	0	-	15	3,375.00	3,375.00	-	3,375.00	-	3,375.00
234685	12/20/2000	3 and 11 Ext.	805.00	0	-	805.00	-	805.00	805.00	-
260825	12/28/2000	51	11,475.00	0	-	11,475.00	-	11,475.00	11,475.00	-
260327	12/28/2000	0	-	1	225.00	225.00	-	225.00	-	225.00
260827	12/28/2000	0	-	66	14,850.00	14,850.00	225.00	14,625.00	-	14,625.00
267826	2/9/2001	25	5,625.00	0	-	5,625.00	-	5,625.00	5,625.00	-
286170	3/13/2001	62	13,950.00	0	-	13,950.00	-	13,950.00	13,950.00	-
286171	3/13/2001	0	-	7	1,575.00	1,575.00	-	1,575.00	-	1,575.00

Appendix A

Receipt ¹	Submission Date ²	No. of Applications Accepted for Processing for Company A ³	Dollar Amount of Applications Accepted for Processing for Company A ⁴ (I)	No. of Applications Accepted for Processing for Company B ³	Dollar Amount of Applications Accepted for Processing for Company B ⁴ (II)	Total Payment that Should Have Been Made to the DOF (I+II)=III	Actual Payment Made to DOF ⁵ (IV)	Amount Owed to the CNMI (III-IV)	Net Due from Company A	Net Due from Company B
305640	4/16/2001	11	2,475.00	26	5,850.00	8,325.00	-	8,325.00	2,475.00	5,850.00
311242	3/30/01, 4/23/01	26	5,850.00	35	7,875.00	13,725.00	-	13,725.00	5,850.00	7,875.00
348556	5/25/01, 6/18/01	23	5,175.00	25	5,625.00	10,800.00	-	10,800.00	5,175.00	5,625.00
340753 ⁷	6/13/01, 6/18/01	66	14,850.00	64	14,400.00	29,250.00	225.00	29,025.00	14,625.00	14,400.00
355227	7/2/01, 7/5/01	73	16,425.00	0	-	16,425.00	-	16,425.00	16,425.00	-
355602	7/2/2001	33	7,425.00	35	7,875.00	15,300.00	-	15,300.00	7,425.00	7,875.00
399085	8/31/01, 9/12/01	21	4,725.00	0	-	4,725.00	225.00	4,500.00	4,500.00	-
397613	9/10/2001	0	-	39	8,775.00	8,775.00	675.00	8,100.00	-	8,100.00
FY01									114,205.00	69,525.00
419029	10/9/2001	0	-	36	8,100.00	8,100.00	-	8,100.00	-	8,100.00
425411	10/30/2001	70	15,750.00	6	1,350.00	17,100.00	-	17,100.00	15,750.00	1,350.00
425415	10/30/2001	12	2,700.00	0	-	2,700.00	-	2,700.00	2,700.00	-
438132	11/8/01, 11/16/01	0	-	27	6,075.00	6,075.00	-	6,075.00	-	6,075.00
454364	12/19/2001	68	15,300.00	0	-	15,300.00	-	15,300.00	15,300.00	-
461675	1/4/2002	99	22,275.00	0	-	22,275.00	-	22,275.00	22,275.00	-
464675	1/4/2002	1	225.00	0	-	225.00	-	225.00	225.00	-
486818	2/8/2002	33	7,425.00	0	-	7,425.00	-	7,425.00	7,425.00	-
503903	3/7/2002	9	2,025.00	0	-	2,025.00	-	2,025.00	2,025.00	-
503905	3/7/2002	0	-	20	4,500.00	4,500.00	-	4,500.00	-	4,500.00

Appendix A

Receipt ¹	Submission Date ²	No. of Applications Accepted for Processing for Company A ³	Dollar Amount of Applications Accepted for Processing for Company A ⁴ (I)	No. of Applications Accepted for Processing for Company B ³	Dollar Amount of Applications Accepted for Processing for Company B ⁴ (II)	Total Payment that Should Have Been Made to the DOF (I+II)=III	Actual Payment Made to DOF ⁵ (IV)	Amount Owed to the CNMI (III-IV)	Net Due from Company A	Net Due from Company B
506552	3/12/2002	39	8,775.00	0	-	8,775.00	-	8,775.00	8,775.00	-
516604	3/27/2002	0	-	19	4,275.00	4,275.00	-	4,275.00	-	4,275.00
541893	4/15/2002	78	17,550.00	0	-	17,550.00	-	17,550.00	17,550.00	-
541895	4/15/2002	0	-	85	19,125.00	19,125.00	-	19,125.00	-	19,125.00
548669	5/1/2002	0	-	19	4,275.00	4,275.00	-	4,275.00	-	4,275.00
548670	5/9/2002	35	7,875.00	0	-	7,875.00	-	7,875.00	7,875.00	-
549334	5/13/2002	0	-	50	11,250.00	11,250.00	-	11,250.00	-	11,250.00
570691	5/28/2002	32	7,200.00	0	-	7,200.00	-	7,200.00	7,200.00	-
570694	5/28/2002	0	-	18	4,050.00	4,050.00	-	4,050.00	-	4,050.00
877787	6/14/2002	9	2,025.00	0	-	2,025.00	-	2,025.00	2,025.00	-
572441	6/14/2002	60	13,500.00	0	-	13,500.00	-	13,500.00	13,500.00	-
583880	7/10/2002	59	13,275.00	0	-	13,275.00	-	13,275.00	13,275.00	-
586880	7/10/2002	1	225.00	0	-	225.00	-	225.00	225.00	-
583882	7/10/2002	0	-	47	10,575.00	10,575.00	-	10,575.00	-	10,575.00
608572	8/13/2002	68	15,300.00	0	-	15,300.00	11,250.00	4,050.00	4,050.00	-
608573	8/13/2002	21	4,725.00	6	1,350.00	6,075.00	675.00	5,400.00	4,725.00	675.00

Appendix A

Receipt ¹	Submission Date ²	No. of Applications Accepted for Processing for Company A ³	Dollar Amount of Applications Accepted for Processing for Company A ⁴ (I)	No. of Applications Accepted for Processing for Company B ³	Dollar Amount of Applications Accepted for Processing for Company B ⁴ (II)	Total Payment that Should Have Been Made to the DOF (I+II)=III	Actual Payment Made to DOF ⁵ (IV)	Amount Owed to the CNMI (III-IV)	Net Due from Company A	Net Due from Company B
600873	8/13/2002	0	-	1	225.00	225.00	-	225.00	-	225.00
FY02									144,900.00	74,475.00
									330,835.00	181,575.00

Total Due **512,410.00**

1. The receipt numbers reviewed were obtained from the labor data provided by the Labor and Immigration Documentation and Identification System (LIIDS).
2. The submission dates were obtained from the labor data provided by LIIDS.
3. The number of permit(s) processed was obtained from the labor data provided by LIIDS.
4. The dollar amount of permits processed was calculated by the number of permits entered as per the labor data provided by LIIDS multiplied by the fee associated with the application; \$225 for New, Renewals and Replacements and \$10 per month for Extensions
5. The actual payment to the DOF was obtained from the DOF data downloaded from the CNMI Cash Receipts System; Credit was given only for fees associated with the processing of nonresident worker applications.
6. As per the labor data provided by LIIDS, 53, 1 year applications were submitted under Company A. Upon further review, we found that three applications were entered twice.
7. As per the labor data provided by LIIDS, 65, 1 year applications were submitted under Company B. After further review, we found that one application was entered twice.

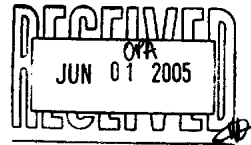
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY



Second Floor Afetña Square Building, San Antonio, P.O. Box 10007, Saipan, MP 96950
Telephone no. (670) 236-0900, Facsimile no. (670) 236-0991



JOAQUIN A. TENORIO
SECRETARY



Mr. Michael Sablan
Public Auditor
Office of the Public Auditor
Capitol Hill
Saipan, MP 96950

5/31/05

Re: Audit Report: May, 2005

Dear Mr. Sablan,

Thank you for your report and recommendations regarding the investigation of the improper use of vouchers presented to the Department of Labor. We have carefully examined the report and recommendations, and the methodology used in arriving at your conclusions. We have no disagreement with your approach to the investigation and have no basis on which to challenge the conclusion.

Turning directly to your recommendations, we believe we can establish a set of procedures within the department to minimize the possibility of a recurrence of the problem detailed in your report.

Recommendation 1: "Enforce Section II.B (3) of the Alien Labor Rules and Regulations which requires the submission of proof of payment with other required documents."

The Department is in the process of automating many aspects of the application intake process. Among the features of this automation is that data entry will start upon presentation of the application form and other related documents by the customer. At that point the system will create a voucher that details the fees that must accompany the application. Each voucher will have the name of the prospective employee printed on it. The customer will take the voucher to the cashier's window when making payment for the application. DOF will be asked to generate a separate receipt for each application, and to include the employee's name on the receipt they generate. The customer will then return to the intake window where the first examination of the voucher and receipt will take place. If the names and amounts on the receipt and voucher are the same, the application will be accepted for further processing.

Appendix B

A second examination of the voucher and receipt will be performed by the application reviewer, who will be a different person than the person who performed the initial examination. Again, the voucher and receipt will be compared to make certain that the amounts and names are the same on the two documents. Any discrepancy will result in a finding of deficiency in the application.

The request to DOF to generate a receipt with only one employee name upon it is to facilitate the auditing of the voucher and the receipt, since if there are many names listed on the receipt it will be more difficult to audit the system later on.

As a final routine check on the system, DOL will ask DOF to provide a daily summary of payments received. DOL can then compare the totals received from DOF with those shown by DOL, and immediately commence an investigation in the event of a discrepancy. It is preferred that this audit be performed outside the processing section, but if that cannot be accomplished, then a third person will be selected to perform the task.

Recommendation 2. "Direct that managers and supervisors responsible for reviewing and approving do not also receive and input applications."

This concern is addressed above in our comments regarding Recommendation 1.

Recommendation 3: "In collaboration with DOF, establish controls for periodic comparison between the fees reflected on the DOL's records and fees actually collected as shown on DOF's records so that corrective actions can be taken if necessary."

This recommendation is addressed in our comments regarding Recommendation 1.

Recommendation 4. "Recover uncollected fees of \$330,835 from Company A and \$181,575 from Company B."

It was apparent during our discussions concerning the audit that other agencies have been investigating how the shortage occurred. Our response will depend on the findings by these other investigators. It is possible to envision a couple of scenarios that would lead to this result. One concerns the possibility of misconduct by persons submitting the applications; the other suggests affirmative DOL employee misconduct. Since other investigators may have information pertinent to this inquiry, we will follow up with other investigators to determine the responsible parties.

Respectfully Submitted,



Dean O. Tenorio
Acting Secretary of Labor

