



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands

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May 14, 1996

Mr. Vicente T. Attao
Special Assistant for Administration
Office of the Governor
Capitol Hill, Saipan
MP 96950

Dear Mr. Attao:

Subject: Letter Report on the Review of the Marianas/ Guam Liaison Office's Imprest Funds (LT 96-2)

In partial response to your request for a fiscal and management audit of the Marianas/Guam Liaison Office (M/GLO), we conducted a survey of M/GLO's operations which included the review of imprest fund accounts. This letter report presents the results of our review of imprest fund accounts. A detailed review of M/GLO's financial operations is currently underway and the results will be reported separately.

Our review showed that (1) M/GLO's operations and medical referral imprest funds were not replenished on a timely basis because submission of replenishment vouchers to the Department of Finance (DOF) was delayed for several months and (2) operations imprest fund transactions were not accounted for and supporting documents for several expenses paid out of the fund cannot be located. As a result, (1) cash in bank was depleted prior to replenishment and the bank rejected two imprest fund checks amounting to \$2,202 and assessed \$60 in bank charges, (2) DOF was forced to replenish \$5,088 to the operations fund without reviewing the supporting replenishment vouchers, and (3) replenishment of the medical referral fund was not requested even though \$9,596 of the \$10,000 had been used and \$213 on two checks had no supporting documents. Further, our review showed that monthly activity reports were not prepared and submitted as required and one employee did not comply with time-in and out procedures.

We recommended that the Special Assistant for Administration (SAA) instruct the Liaison Officer [and the Secretary of Finance instruct the CNMI Treasurer's Office - Recommendation 2 only] to (1) submit replenishment vouchers to DOF every 15 days as required by imprest fund regulations, (2) transfer funds only upon review of supporting replenishment vouchers, (3) maintain adequate records to account for the operations imprest fund balance, (4) repay unsupported expenditures, (5) comply with monthly reporting requirements, (6) require all employees to strictly observe timekeeping procedures, and (7) require employees who go out of the office during working hours to use sign-in-and-out log sheets. Both the SAA and the Secretary of Finance responded promptly to our recommendations (See **Appendix A and B**).

The Liaison Officer also concurred with the SAA instructions (See **Appendix C**). Based on their responses, we considered all recommendations resolved pending verification of actual implementation through our on-going audit of M/GLO's financial operations.

BACKGROUND

1 CMC §2091 established the Marianas/Guam Liaison Office within the Office of the Governor, headed by the Liaison Officer who is appointed by and under the direct supervision and control of the Governor. 1 CMC §2092 provides that the Liaison Officer shall assist the Governor in faithfully executing CNMI laws, including those laws, regulations, and policies regarding student assistance and off-island medical referral activities. The operations and activities of the M/GLO are funded by two imprest fund accounts: (1) a \$5,000 operations imprest fund for payment of authorized M/GLO expenditures, and (2) a \$10,000 medical referral imprest fund for payment of authorized medical referral activities.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the review were to determine whether (1) M/GLO complied with imprest fund policies and procedures, and (2) adequate internal controls were in place. The scope of our audit was limited to the review of imprest fund transactions identified during our on-site visit of M/GLO and those identified during our survey conducted at DOF. Our audit procedures included examination of documents supporting M/GLO's imprest fund transactions and discussions with DOF officials and staff members such as the Finance Branch Manager and accountants, and the Assistant CNMI Treasurer. We also conducted an on-site visit of the M/GLO in Guam on February 14, 1996 and discussed these matters with the Liaison Officer and staff members of the liaison office.

FINDINGS AND RECOMMENDATIONS

A. Need to Submit Replenishment Vouchers On Time and Account For Operations Imprest Fund Transactions

Under CNMI imprest fund regulations, government agencies whose operations are funded through imprest funds are required to submit replenishment vouchers to DOF every 15 days and maintain a reasonable accounting of the imprest fund balance. Our review showed, however, that (1) M/GLO's operations and medical referral imprest funds were not replenished on a timely basis because submission of replenishment vouchers to DOF was delayed for several months, and (2) operations imprest fund transactions were not accounted for and supporting documents for several expenses paid out of the fund cannot be located. These occurred because the Liaison Officer did not follow imprest fund regulations and did not make the preparation of replenishment vouchers and accounting of funds a priority. As a result, (1) cash in bank was depleted prior to replenishment and the bank rejected two imprest fund

checks amounting to \$2,202 and assessed \$60 in bank charges, (2) DOF was forced to replenish \$5,088 to the operations fund without reviewing the supporting replenishment vouchers, and (3) replenishment of the medical referral fund was not requested even though \$9,596 of the \$10,000 had been used and \$213 on two checks had no supporting documents.

Discussion

Government agencies whose operations are funded through imprest funds are required to (1) submit imprest fund replenishment vouchers to DOF every 15 days, which is on or before the 20th and 5th day of the same month and the following month, respectively, and (2) maintain a reasonable accounting of the balance of the funds remaining or existing in the imprest fund account.

Delayed Submission of Imprest Fund Replenishment Vouchers

During the first four-and-a-half months of fiscal year 1996, the M/GLO did not submit imprest fund replenishment vouchers for the M/GLO's operations and medical referral accounts, thereby precluding DOF from processing any replenishment checks. The operations account became overdrawn, prompting the bank to repeatedly make requests for bank transfers. The requests caused DOF-Treasury to deviate from regulations. On February 1, 1996, DOF Treasury processed two bank transfers to M/GLO's operations account totaling \$5,088, for October and November 1995 expenses, based only on replenishment requests faxed by M/GLO and prior to review of supporting vouchers by DOF-Finance Branch. For the medical referral account, 153 checks totaling \$9,596 were still not submitted to DOF for replenishment as of February 14, 1996 when the approved cash level for the fund was only \$10,000. Also, during fiscal year 1995, replenishment requests were sent only once a month and not every 15 days.

Non-Accounting of Operations Imprest Fund Balance

During our February 14, 1996 on-site visit, we could not account for the \$5,000 operations imprest fund because the Disbursing Officer did not maintain a record to monitor cash in the bank balance of the imprest fund account. She said that if she wants to know the balance, she requests a bank statement from the bank (for a fee). We also found that two of the eight unreplenished checks for the operations imprest fund issued during fiscal year 1996 payable to the Disbursing Officer were not adequately supported. Check No. 2925 included an expenditure for \$63 which was supported only by the personal check of the disbursing officer and without an invoice. Check No. 2926 for \$150 was without any supporting document.

Imprest Fund Regulations Were Not Followed

According to the Liaison Officer, she was not able to comply with imprest fund regulations because of other pressing functions assigned to her. The Assistant Liaison Officer also explained that one reason for the delay in the preparation of medical referral imprest fund replenishment requests was the delayed transmittal of Travel Authorizations (TAs) with

complete signatures of approving authorities. Additional time is needed for obtaining the necessary documents from the CHC-Medical Referral Office.

The delay in imprest fund replenishments resulted in depletion of the operations imprest fund balance. During March 1995 and January 1996, checks totaling \$2,202 (payable to Mobil Oil-Guam for fuel and GTE for telephone) were returned and a \$60 fee was charged by the bank due to insufficient funds. Also, because of the delay in submitting replenishment vouchers, the CNMI Treasurer's Office was forced to replenish \$5,088 to the operations fund without reviewing the supporting replenishment vouchers because the bank repeatedly informed DOF of M/GLO's shortage of funds in the bank.

Conclusion and Recommendations

M/GLO needs to comply with imprest fund regulations to ensure that funds are available for continuity of public service. Accordingly, we recommend that:

1. The SAA issue a memorandum to the Liaison Officer requiring her to submit replenishment vouchers to DOF-Finance Branch every 15 days by (a) delegating the details of voucher preparation to a staff member and (b) instructing the Medical Referral Officer that only patients and escorts with duly approved TAs can be paid¹.
2. The Secretary of Finance require fund transfers to imprest fund accounts only after DOF-Finance Branch reviews the replenishment vouchers and assures that supporting documents are adequate. The transfer should be for the amount allowed only.
3. The SAA issue a memorandum to the Liaison Officer requiring the Disbursing Officer to account for the balance of the funds remaining in the operations imprest fund.
4. The SAA issue a memorandum to the Liaison Officer requiring payment of unsupported expenditures.

¹In cases of emergencies, however, TAs with incomplete authorization but specifying emergency can be honored. The Medical Referral Officer, however, should be given a deadline to submit the duly approved TAs (e.g. within 10 days after arrival of the patient). If the Medical Referral Officer does not comply, no additional payments can be given to the patient and escort. The Disbursing Officer should also be required to regularly follow-up with the Medical Referral Officer on TAs with incomplete authorization.

B. Other Matters

I. Need to Regularly Submit Monthly Activity Reports

As a division under the control of the SAA within the Office of the Governor, M/GLO was required by the SAA to submit by the fifth of each month, a monthly report showing past month's activities, highlights, and needs. Our review showed, however, that M/GLO did not prepare and submit the monthly activity reports required by the former SAA in his May 8, 1995 memorandum. M/GLO submitted a report only once (in June 1995). The Liaison Officer told us that she was not able to comply with the requirement because of other pressing responsibilities, and our review showed that the SAA did not follow up on the reports. As a result, the SAA could not assess the performance and needs of the M/GLO.

Accordingly, we recommend that (5) the SAA issue a memorandum requiring the Liaison Officer to comply with monthly reporting requirements or face administrative sanctions.

2. Enforce Compliance With Timekeeping Policies and Procedures

Our inspection (around 3:30 p.m.) of employees' time and attendance during our February 14, 1996 on-site visit, showed that all the eight employees were present. Our review of the M/GLO's Time Log Sheet showed, however, that one employee (Mr. Vicente Ichihara), although seen at the office, did not time-in on the Log Sheet. During the previous day, he also did not time-out. This occurred because time-in-and-out procedures were not being enforced. As a result, there was no accurate record available for preparation of the Summary Time Sheet used for payroll. We also found that M/GLO did not maintain a permanent record to document the whereabouts of employees leaving the office during working hours. There was only a white board where employees could write their destination when going out of the office, and the information was erased daily. As a result, there was no written documentation showing the employees' whereabouts to support employees' time charges.

Accordingly, we recommend that the SAA issue a memorandum to the Liaison Officer requiring (6) all employees, particularly the Medical Referral Assistant, to observe M/GLO's timekeeping procedures requiring daily time-in-and-out, and (7) all employees who go out of the office during working hours to personally log their destination (including purpose, time left and time returned) using sign-in-and-out sheets.

SAA, Secretary of Finance, and Liaison Officer's Responses

The SAA responded promptly to our recommendations. He issued a letter to the Liaison Officer giving instructions to implement the suggested measures to ensure compliance with the imprest fund manual, monthly reporting requirements, and timekeeping procedures. The Secretary of Finance issued a memorandum to the Director of Finance and Accounting


implementing the measures we recommended to ensure accurate fund transfer. The Liaison Officer concurred with the SAA's instructions and provided us copies of disbursing officers' designation papers and monthly status reports. We were also provided copies of two invoices to support the unsupported disbursements noted in our review of unreplenished checks on our February 14, 1996 on-site visit.

OPA Comments to the Responses

Based on the information contained in the auditees' responses, we considered all recommendations resolved pending verification of actual implementation through our on-going audit of M/GLO's financial operations.

Please call us should there be any questions or matters that need further discussion regarding this letter report.

Sincerely,


Leo L. LaMotte
Public Auditor, CNMI

xc: Governor
Lt. Governor
10th CNMI Legislature (27 copies)
Attorney General
Secretary of Finance
Special Assistant for Management and Budget
Public Information Officer
M/GLO Liaison Officer
Press



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U. S.

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March 27, 1996

Leo Lawrence LaMotte
Public Auditor
Office of the Public Auditor
Saipan, MP 96950

Dear Mr. LaMotte:

Reference: CNMI/Guam Liaison Audit Report

I am hereby submitting our response to the fiscal and management audit results of the Marianas/Guam Liaison Office (M/GLO). I concur with the recommendations provided in your report, and have directed the M/GLO Officer to be responsible in the implementation of the measures necessary to expeditiously correct the findings.

Due to the urgency of this matter, I authorized the M/GLO Officer to travel to Saipan on March 11-14, in order to meet and discuss the course of actions to be taken. The following is an outline of the outcome of this meeting.

- I. I have instructed immediate implementation of the following actions in order to comply with the finding of delayed submission of Imprest Fund Replenishment Vouchers to the Department of Finance (DOF) leading to overdrawn accounts, and unaccountable operations imprest fund transactions.
 - A. Designated a Primary and Alternate Disbursing Officer with the Certification powers still vested on the Liaison Officer. An Alternate Disbursing Officer will assure that the flow of replenishment vouchers and other financial transactions will not be disrupted due to the absence of the Primary Disbursing Officer, and that submission deadlines are complied with. In addition, preparing and submitting replenishment vouchers to DOF, and regular follow-ups of deficient TAs are made part of their responsibilities.
 - B. Required that the Signature of the Disbursing Officer be included along with the Certifying Officer for the disbursement of funds. This system will prove to be prudent in that it will require two endorsing officers in all financial transactions which will prevent fraud and/or any unnecessary actions that might violate CNMI Laws.
 - C. After a lengthy discussion with the CNMI Treasurer on imprest funds, we arranged a morning and afternoon training sessions with the M/GLO

APPENDIX A - SAA RESPONSE TO THE AUDIT RECOMMENDATIONS (Page 1 of 4)

financial personnel on March 22, 1996. The staff were trained by the CNMI Treasurer and Ms. Maggie Mendiola from the Finance and Accounting Division.

- D. Implementation of Document Transmittal Forms (DTC) to account the release of documents transmitted by the M/GLO. DTC will not only decrease the possibility of documents being lost but will provide a record of the existence of such transaction.
- E. To initiate an effective ledger of disbursements.
- F. I advised M/GLO officer to repay the expenses that lacked supporting documents.

II. On the finding of noncompliance to submission of Monthly Activity Reports

- I am happy to inform you that M/GLO is up-to-date on their report submission. It is also important to note that they began complying to the requirement before your audit report was released

III. Non-Compliance to Time In/Out Procedures

- We have discussed this matter, and they have implemented a time in/out log book to keep a permanent record of the whereabouts of M/GLO personnel during working hours.

Overall, I instructed the M/GLO Officer to strictly comply with CNMI Imprest Funds Regulations in order to prevent future fiscal problems from being encountered. In addition, as a way of improving the operations of the office, I have advised the M/GLO to hold weekly staff meetings. The minutes of these meetings will be made part of the Monthly Activity Reports submitted to my office.

If you need any further information, please do not hesitate to contact me at 664-2212.

Thank you.

Sincerely,



VICENTE T. ATTAO
Special Assistant for Administration

enclosures

xc: Governor

APPENDIX A - SAA RESPONSE TO THE AUDIT RECOMMENDATIONS (Page 2 of 4)



Commonwealth of the Northern Mariana Islands
Office of the Governor
Capitol Hill, Saipan MP/USA 96950



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March 10, 1996

Barbara S. Van Meter
Liaison Officer
CNMI/Guam Liaison Office
960 So. Marine Drive
Tamuning Plaza Bldg., Suite 105
P.O. Box 8366
Taruining, Guam 96931

Dear Ms. Van Meter:

Reference: March 7, 1996, Audit Report Recommendations

In accordance to the Public Auditor's recommendations on the above referenced subject, I am hereby requesting your cooperation to abide and implement, where necessary, the following instructions to expeditiously correct the findings.

1. To submit replenishment vouchers to DOF-Finance Branch every 15 days to prevent depletion of funds and facilitate review prior to replenishment. You should delegate the details of voucher preparation to a staff member.
2. To instruct and assure that the Medical Referral Officer follows the recommendations provided in the audit report. This includes, but no limited to, allowing only patients and escorts with duly approved TIAs on medical referrals, and that only on emergency cases will incomplete TIAs be honored.
3. To strictly adhere to the provisions given in the imprest fund manual on accounting of imprest funds transactions, and to ensure adequate documentation of expenditures. Failure to provide the adequate documentation will result in repayment of unsupported expenditures.
4. To strictly, and promptly comply with the monthly report submission requirement.
5. To require that all employees, in particularly the Medical Referral Assistant, strictly observe CNMI Time Keeping Regulations. Everyone must time-in and out on the Daily Time and Attendance Sheet, and in the Log Sheet when leaving the office during working hours.

APPENDIX A - SAA RESPONSE TO THE AUDIT RECOMMENDATIONS (Page 3 of 4)

Your strict adherence to the aforementioned instructions is greatly appreciated. If you need any further information, please do not hesitate to contact me at 664-2212.

Sincerely,



VICENTE T. ATTAO
Special Assistant for Administration

cc: Governor



DEPARTMENT OF FINANCE
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

MEMORANDUM

APR 9 1996
RECEIVED
DPA-CC

TO : Public Auditor

DATE: 4/03/96

FROM : Secretary of Finance

SUBJECT : Response to Draft Report on the Review of the Marianas
Guam Liaison's Office Imprest Funds

Recommendation No. A.2

The Secretary of Finance will instruct the Finance Manager, Division of Finance and Accounting to inform the Treasurer to stop the replenishment of Imprest Funds if supporting vouchers are not submitted on a timely basis.

Thank you.

ANTONIO R. CABRERA

Attachment

APPENDIX B - SECRETARY OF FINANCE RESPONSE TO RECOMMENDATION 2 (Page 1 of 2)



Commonwealth of the Northern Mariana Islands

Marianas/Guam Liaison Office
960 So. Marine Drive
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Tel: 646-9181/646-9182 • Fax: (671) 649-5402

March 12, 1996

Leo Lawrence LaMotte
Public Auditor
Office of the Public Auditor
Saipan, MP 96950

APR 10 1996
RECEIVED
OPANK

Dear Mr. LaMotte:

Reference: CNMI/Guam Liaison March 7, 1996, Audit Report

To initiate our efforts in meeting the findings and recommendations provided in the audit report on the accountability and timely submission of replenishment vouchers as to the office's expenditures, I have delegated Ms. Antonia N. Saralu, and in her absence Ms. Andresina San Nicolas, to be the Disbursing Officers for both the Operations and Medical Referral Imprest Funds. Although I have delegated these individuals to act as Disbursing Officers, I will remain as the Certifying Officer for the office. (Exhibit A)

To account for several expenditures that were paid out of the imprest funds, as cited by your audit report, I have enclosed exhibit B per your recommendation. As to your third recommendation, I am happy to report that we have submitted the required activity reports for the months of January and February 1996. I assure you that adherence to this requirement will be continued. Please refer to exhibit C.

Your fourth recommendation addressed the negligence in adhering to proper time and attendance procedures concerning one of my personnel. I believe that this is an isolated case, and that the employee had no intention to deviate from the normal practice of compliance to the time-in and time-out procedures. I believe that the circumstances surrounding this individual's duties and responsibilities as a Medical Referral Assistant forced him to unintentionally neglect proper procedures. To correct this finding of negligence, I have implemented a system of monitoring the attendance and whereabouts of employees between the hours of 7:30 A.M. to 4:30 P.M., including my standby personnel. Please refer to exhibit D.

I assure you that my office will implement other necessary measures to support our efforts in adhering to all CNMI rules and regulation applicable to our office.

APPENDIX C - LIAISON OFFICER RESPONSE TO THE AUDIT RECOMMENDATIONS
(Page 1 of 2 - Exhibits A-D no longer attached)

If you would like to further discuss this matter or provide additional recommendations, please feel free to contact me at (671) 646-9181/82.

Thank you.

Sincerely,



BARBARA S. VAN METER
CNMI/Guam Liaison Officer

xc: Governor
Lt. Governor
Special Assistant for Administration