

Public Auditor's Message



During 1996, much of the work of the Public Auditor's Office involved procurement by CNMI Government agencies and implementing the CNMI Ethics Act.

The Procurement Regulations have very specific requirements relating to different amounts of money being spent and different types of procurement. For instance, sealed bidding is required for procurement above \$10,000. Bidding is encouraged for purchases between \$2,500 and \$10,000 and a minimum of three quotations are required. Purchases below \$2,500 do not require bids or quotations.

Our audits and investigations disclosed numerous violations of the Procurement Regulations. The violations included split procurement to avoid requirements for bidding and quotations, no quotations and no bids when required, misuse of sole source procurement when competition was available, and purchases made when no appropriations were available. We also noted instances where contracting officers were apparently not familiar with the Procurement Regulations.

The CNMI Procurement Regulations were developed based on the experiences of U.S. state and local government agencies, and are designed to help the Commonwealth to obtain necessary goods and services at the best possible prices. Each time procurement does not follow these regulations, the Commonwealth is probably not getting the best price.

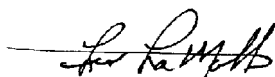
Implementing the CNMI Ethics Act also remains a challenge. Many questions have arisen about who is and who is not required to file a financial disclosure statement. We have been working with legislators and their staff to revise the Ethics Act for greater clarity and to ensure that the intent of the Act is being fulfilled.

Our investigators uncovered several instances of violations of the Act, which included conflicts of interest and improper gifts. The results of these investigations were referred to the Attorney General's Office and to heads of departments and agencies as required. All such reports of Ethics Act violations are required to be confidential. Consequently, we cannot make any details known.

It also became apparent to us that many Government officials and employees are not familiar with the Ethics Act.

All government officials and employees should be generally familiar with the Procurement Regulations and the Ethics Act. Contracting Officers should be intimately knowledgeable about the Procurement Regulations. Anyone not familiar with the Ethics Act should contact OPA for advice when any questions about ethics arise.

In addition, we plan to begin an educational program about the Ethics Act in 1997 which will help officials and employees understand what is allowed and what is not allowed under the Act.


Leo L. LaMotte
Public Auditor



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Year in Review

7 The Office of the Public Auditor (OPA) conducted financial, operational, and performance audits of CNMI Government departments and agencies. As mandated by statute, OPA implemented the Government Ethics Code Act of 1992. In 1996, however, OPA strengthened its investigative capability with the hiring of two additional investigators and established a Hotline for reporting government fraud, waste and abuse.

Summary of Activities

In 1996, a total of 16 final reports were released (to 12 departments and agencies) and 8 draft reports were released for agency comments, while either a draft report was being prepared or field work was ongoing for 33 other audit engagements. Of the 57 total audits, 26 were requests, 11 were self-initiated, 11 were investigations-initiated, and 9 were mandated by law. **Appendix A** lists the final audit reports issued by OPA.

During 1996, OPA supervised and monitored the procurement and conduct of audit services for the single audits and financial and compliance audits of agencies as follows:

- CNMI Government
- Commonwealth Ports Authority
- Marianas Visitors Bureau
- Northern Mariana Islands Retirement Fund

- Public School System
- Commonwealth Government Employees Credit Union
- Commonwealth Utilities Corporation
- Marianas Public Land Corporation
- Marianas Public Land Trust
- Northern Marianas College



The audit staff room is equipped with the latest computer equipment and peripherals.

The audits of two agencies lagged behind schedule. Draft reports of financial audits for fiscal year 1995 issued to CUC have been awaiting responses from the agency. The audit reports on NMC's financial statements for fiscal years 1993 and 1994 were finalized and released in 1997.

OPA implemented and enforced the Government Ethics Code Act of 1992. CNMI Government officials and employees were required to file a statement of financial interest. Penalties were imposed upon late filers, while those who failed to file or pay the assessed penalties were referred to the Attorney General for prosecution and enforcement.

Additionally, four ethics violations involving six persons were reported to heads of agencies and offices and to the Attorney General's Office. The Ethics Act requires the recipient of these confidential reports to respond to us in 30 days. To date, however, we have only received three full responses and one partial response.

The Investigations Section was established in mid-1996. To encourage the public to report instances of government fraud, waste and abuse, hotlines were installed in Saipan (telephone #670-235-3937) and Rota (telephone #670-532-0298). In February 1997, a hotline was installed in Tinian (telephone #670-433-3937).

In 1996, the Investigations Section investigated 77 cases, of which 7 were determined to be unfounded while 70 cases were found valid involving violations of CNMI rules and regulations or criminal acts. A final audit report was issued in 1 case, and draft reports were issued in 4 cases. An audit was ongoing for 6 cases.

As a result of its audit and investigative work, OPA referred 18 cases to the Attorney General involving violations of federal or Commonwealth criminal law and matters requiring civil action.

In 1996, decisions by the Division of Procurement and Supply and the Public School System in the awarding of seven contracts were appealed to OPA. Of the seven cases, five were denied, one was partially granted, and one case was still being reviewed.

In December 1996, OPA established an Internet web site to provide the public access to information about OPA, which include audit reports issued, government ethics implementation, job vacancies, and more. OPA's Internet web site can be reached at <http://www.opacnmi.com>.

OPA also provided technical assistance to various government branches, departments, and agencies upon their request.

In May 1996, OPA participated in the annual conference of the Association of Pacific Island Public Auditors held in Guam.

Personnel

In fiscal year (FY) 1996, OPA was authorized 31 full-time equivalent (FTE) employees with a budget of \$990,200. This represented an increase of two FTEs amounting to \$84,700 from FY 1995's authorized budget. In FY 1997, eight additional FTEs were authorized for a total of 39 FTEs with a budget of \$1.4 million.

However, during most of 1996, OPA operated with about 19 staff. Additional staff were hired near the end of the third quarter of calendar year 1996. At the end of the year, OPA's staff consisted of 21 auditors in the Audit Section, 3 investigators in the Investigation Section, 2 staff in the Administrative Section, and 1 legal counsel. **Appendix E** shows OPA's current organizational structure.

Total staff time available for the year was 42,154 hours after deduction for holidays and leave. These hours were applied to efforts as shown in **Figure 1**.

Financial Information

On October 31, 1995, the Governor signed Public Law 9-68, "The Public Auditor Amendments Act of 1994," which reenacted the guarantee of OPA's funding. The law required the withholding of one percent from all locally generated funds appropriated by Commonwealth law for each government agency's operations and activities as well as for all capital improvement projects. Also, autonomous agencies not funded primarily by legislative appropriations are required to pay the Public Auditor an amount not less than

the greater of one percent of its total operations budget from sources other than legislative appropriations or pursuant to any other formula upon which the Public Auditor and the agency may agree.

The law required the Secretary of Finance to deposit the amounts withheld and amounts paid by autonomous agencies in a special account separate from the General Fund.

In fiscal year 1996, deposits to OPA’s special account totaled \$2,179,072. Of this amount, \$1,351,555 was expended and obligated. Personnel costs totaled \$608,692 and all other costs amounted to \$403,439. Pursuant to Public Law 9-66, the amount of \$453,207.11 was reprogrammed and equally distributed to the Medical Referral and Scholarship programs. ■

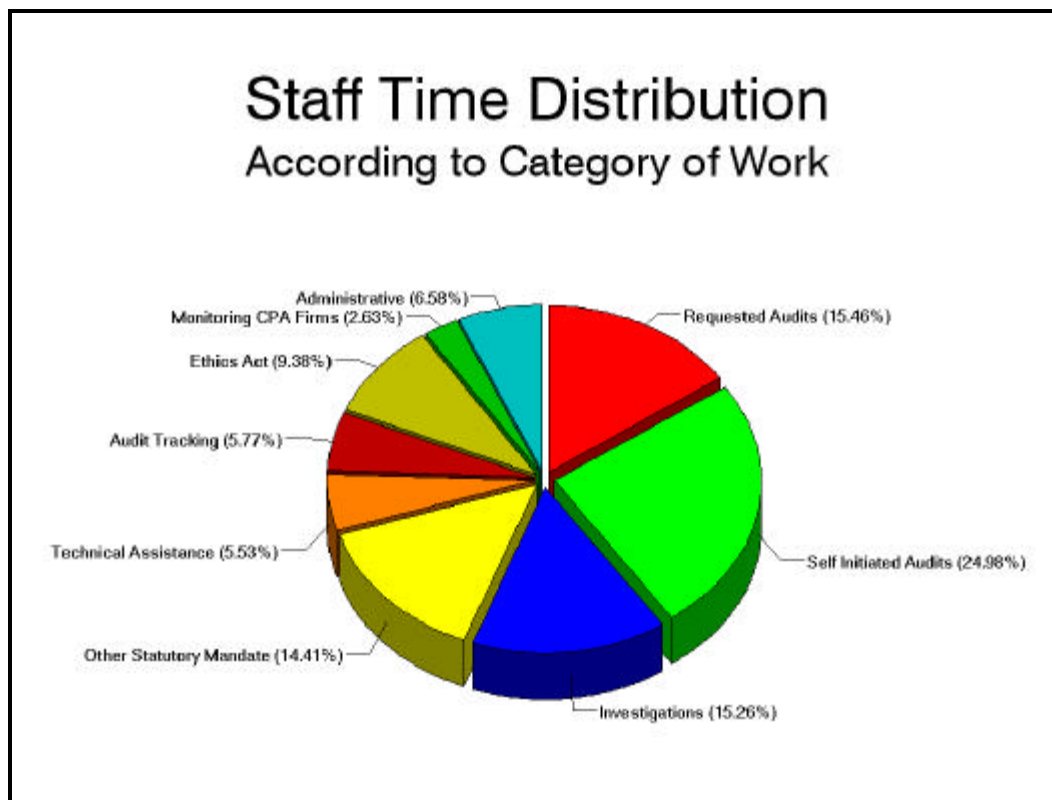


Figure 1

Highlights of Activities

7 The Office of the Public Auditor's (OPA) overall objectives were primarily directed toward (1) prevention and detection of fraud, waste and abuse, and (2) improvement in the economy, efficiency and effectiveness of government operations. These objectives guided OPA's activities in 1996. In addition to these objectives, OPA performed its statutory mandate of implementing the requirements of the Government Ethics Code Act of 1992.

Prevention and Detection of Fraud, Waste, and Abuse

Unauthorized Sublease of Public Land

The audit of the Saipan Fishing Center and the Lease of the Garapan Fishing Base disclosed the sublease of the Saipan Fishing Center by an individual to a specialty restaurant without authorization from the Division of Public Lands (DPL) (formerly Marianas Public Land Corporation). Investigation showed that the property was rented at \$2,000 per month since January 1994, but no rental fees were received by the DPL for the sublease. As of October 1995, the individual collected total rental fees of \$44,000 which belonged to the Commonwealth Government.

The matter was referred to the Attorney General's Office (AGO) for recovery of the

rental fees. As of the date of this report, the matter was still under review by the AGO.

Procurement Irregularities

Acting on a report received through OPA's Hotline, the audit of the Commonwealth Health Center's (CHC) procurement of printing services disclosed that a supply technician falsified price quotations to favor a particular vendor. In addition, the audit showed that the technician also received gifts from the vendor who was selected as the lowest source.

An audit of the expenditures of the former Rota Mayor's Office disclosed that the former Mayor's Office entered into a contract and purchased goods and services from busi-

nesses owned by the former Mayor and his family. Examination of the contracts, purchase requisitions, and memorandum requests for these transactions showed that the former Mayor himself approved the purchases. These



Aerial view of the Saipan Fishing Center Building.

transactions amounted to at least \$43,538 in fiscal year 1992 and \$29,949 in fiscal year 1993 for a total of \$73,487.

These matters were under investigation by AGO at the time of this report.

Misappropriation of Funds

An audit of collections at the Rota Office of the Commonwealth Utilities Corporation (CUC) disclosed that the cashier took \$1,829.29 from one day's collections. To conceal the funds taken, the cashier replaced \$1,000 with a personal check without sufficient funds, and collections of \$829.29 were not receipted. Criminal charges were filed in court by AGO which resulted in the conviction of the cashier.

Also, the Treasurer of the Law Enforcement Week Committee admitted, during our investigation of the Committee's collections, using \$600 of the Committee's funds for personal purpose (claimed as family emergency). In addition, funds amounting to \$458.75 could not be specifically accounted for. The matter was referred to AGO for prosecution. During the preparation of this report, we were informed by AGO that the matter was being reviewed by the Criminal Division.

Employees Time and Attendance

Throughout 1996, OPA conducted random inspections of time and attendance of employees of about 32 government agencies and their

subdivisions. The inspections were performed in line with the Governor's objective of setting a higher standard for government employees.

Subsequent to the inspections, draft memorandums were issued to immediately bring to the attention of the agencies concerned the findings noted and proposed recommendations. Most of the agencies responded and have taken corrective measures in areas under their control. The results of all inspections will be consolidated into a single report to be issued at a later date.

Misuse of Government Vehicles

In 1996, OPA reported 19 instances of misuse of government vehicles to various CNMI departments and agencies. Responses were received in 9 instances, while no response was received in 10 instances.



A CUC pickup truck was found parked at a hotel's parking lot during one of OPA's CNMI-wide government vehicle inspections. The employee driving the vehicle was in the hotel watching the Superbowl.

Reports of government vehicle misuse included use of government vehicles for personal purposes during and outside of government working hours, use of government vehicles to transport non-government employees, and reckless driving.

In November 1996, due to the large number of reports received about government vehicle misuse, OPA conducted a CNMI-wide inspection of 375 vehicles assigned to CNMI government branches, departments, offices, and autonomous agencies. The inspections focused on the agencies' compliance with requirements of the Government Vehicle Act and the Government Vehicle Regulations. A report will be issued at a later date.

Deficiencies in Operations and Internal Controls

Management of Leases, Permits and Concession Agreements Need Improvement

The Division of Public Lands (DPL), formerly Marianas Public Land Corporation, needs to improve its system for monitoring land lease rental payments. The audit of land leases with hotels, resorts and golf courses showed that two lessees failed to pay the required rentals from lease years 1990 to 1994, and six lessees paid their rentals to DPL but did not compute their rentals in accordance with their lease agreements. Underpayments totaled \$924,786, including interest of \$174,110.

Also, under-and-over payments reported in prior year audits were not collected from or credited to the lessees. Net rental underpayments for lease years 1988 and 1989 amounting to \$155,084 remained uncollected.

In addition, the audit of the Garapan Fishing Base land lease to APEX Corporation showed that the lessee has been in default of the lease agreement for its failure to construct a hotel/marina complex and to pay rentals to MPLC amounting to \$840,062.

An audit of the Commonwealth Ports Authority (CPA) showed that permits, leases and concession agreements were not properly managed. The audit disclosed that CPA properties were used for nonport-connected

purposes in violation of Commonwealth laws, and without adequate compensation. Also, residences and barracks were built on land without permits and on land with permits that restricted use to agricultural and grazing purposes only. In addition, the audit found conflicts of interest when several members of its Board of Directors were granted agricultural permits, commercial leases, and concession agreements.

Medical Referral Program Needs to Establish Additional Procedures

An audit of the Department of Public Health's medical referral transactions with Hawaii-based hospitals and health care providers showed that DPH did not establish adequate procedures to determine whether patient conditions warranted continued referral or

whether medical services or treatments performed by health care providers were necessary before payments were made.

In addition, practices similar to those disclosed in our past audit reports, such as no written official medical referral policies and procedures, patients being referred without prior approval and

without adequate documentation, and no subsidiary records for outstanding and paid claims, continued to exist.

No Savings to CHC in Privatization of its Laboratory Services

An audit showed that the privatization of the Commonwealth Health Center's (CHC) laboratory services did not result in a \$1.6



OPA conducted several audits of land leases managed by the Division of Public Lands (formerly Marianas Public Land Corporation) in 1996.

million savings as predicted by CHC. The audit found that the savings prediction did not take into account revenues received while the laboratory was being operated by CHC. The review showed that in privatizing, CHC will lose about \$260,000 per year, or \$1.3 million over the five-year contract period with Clinical Laboratories of the CNMI (CLC).

In addition, equipment costing \$427,717 was sold for \$147,662, the net book value of which, however, may have no relationship to actual useful life or market value. The sale included equipment costing \$159,054 which was transferred at no cost because it was fully depreciated for accounting purposes.

Furthermore, the privatization of the CHC laboratory resulted substantially in a private monopoly because CLC is allowed to control the cost of laboratory services to the public.

Guam Liaison Office Needs to Improve Management of Imprest Fund

The audit of the Imprest Fund Accounts managed by the Marianas/Guam Liaison Office (MGLO) showed that both its operations and medical referral imprest funds were not properly managed. The audit showed that replenishment was not made on a timely basis. Also, operations imprest fund transactions were not accounted for and supporting documents for several expenses paid out of the funds could not be located.

This resulted in the bank's rejection of imprest fund checks issued amounting to \$2,202, and the resulting assessment of bank charges due to insufficient funds. In addition, the replenishment reports submitted on an urgent basis by MGLO forced DOF to replenish funds without reviewing the replenishment vouchers.

Noncompliance with Laws and Regulations

Noncompliance with Procurement Regulations

An investigation showed that, in the procurement of seven air conditioners costing \$19,018 on behalf of the Saipan Municipal Council, the former Director of Procurement and Supply bypassed the processes of fund certification, competitive sealed bidding, and issuance of a purchase order (PO) required by the Planning and Budgeting Act, CNMI Procurement Regulations, and the Procedures and Policies of the Department of Finance, respectively. Consequently, the Council could not pay for the air conditioners due to lack of funds. In addition, the absence of bidding required by the regulations did not provide the Council with assurance that the air conditioners were obtained at the best price and quality possible.

In another audit, OPA found that computers, printers and accessories amounting to \$14,165 were purchased by and delivered to the Office of Personnel Management without competitive bidding, and without the required documentation and government officials' signatures.

Noncompliance with Laws and Regulations at the Former Tinian Mayor's Office

The audit of transactions by the former Tinian Mayor's Office showed that CNMI laws and regulations on appropriations and payroll, procurement, and travel expenditures were violated. The audit found that (1) \$92,478 were used for expenditures of other agencies without reprogramming authority, (2) salaries amounting to \$35,000 for 13 employees were reclassified and adjusted without certification that lawful and sufficient funds were avail-

able, (3) 136 hours of employees' absences without leave authorization were paid, (4) purchases totaling \$63,890 were artificially divided to avoid price quotation/bidding requirements, (5) purchase orders amounting to \$73,280 were prepared after the fact, (6) no justification was prepared for the purchases amounting to \$28,839, and (7) \$13,434 of travel advances were not liquidated within the prescribed period of time.

Improper Disposal of Two Heavy Equipment Vehicles

An investigation into the circumstances surrounding the disposal of two heavy equipment vehicles assigned to the Department of Public Works (DPW) showed that the trucks were disposed of by the Secretary of Public Works in a manner contrary to the requirements of the CNMI Property Management and Accountability Policy. After the trucks were surveyed and recommended for sale at a public auction by Procurement and Supply, the DPW Secretary disposed of them by giving them free of charge to an individual, who in turn gave them to a privately-owned repair shop. This resulted in the removal of the engine, transmission, and radiator from one of the trucks.



The Mack truck tractor (left) is shown without an engine, transmission, and radiator.

individuals ("reporting individuals") required to file a statement of financial interest no later than February 1 of each year, and a supplemental list of persons who became "reporting individuals" after the February 1 certification no later than 30 days (April 1) before the filing deadline of May 1. Also, the Act requires the Public Auditor to notify persons included in the first list.

In 1996, the Secretary of Finance in both instances failed to certify the list on time. The first list was certified on February 26, 1996 and the supplemental list was certified on April 15, 1996. This resulted in a delay of the Public Auditor's notification to the individuals.

Also, it was found that the mailing addresses listed for some individuals were incorrect, causing notices to be returned by the post office.

In addition, the certified lists were found incomplete and inaccurate. Inquiries were received from individuals whose names were not on the list, but were current members of boards and councils. Likewise, some individuals whose names were on the list complained about their names being on the list when they had ceased to be members of boards or councils since the previous year. On June 28, 1996, the Secretary of Finance certified a second supplemental list to include the omitted names and agencies.

In 1996, 408 individuals were required to file a statement of financial interest. Of the 408 individuals, 11 failed to file a statement. As of March 31, 1997, late filing penalties to be assessed on the nonfilers now total \$27,470. Of those who filed, 25 individuals were late

Statutory Mandate

Government Ethics Code Act of 1992

The Act requires the Secretary of Finance to certify to the Public Auditor the list of

in filing the statement and were assessed late filing penalties totaling \$6,460. Nineteen late filers paid their penalties totaling \$4,340, while, six late filers still have not paid their penalties totaling \$2,120. The nonfilers and uncollected late filing penalties were referred to the Attorney General for collection and prosecution, if necessary.

In an effort to better inform CNMI government officials and employees about the Ethics Act, OPA is drafting a series of information brochures. The first brochure contains information on gifts. Brochures on other topics are also being prepared and are expected to be finalized and released in 1997.

Four ethics violations involving six persons were reported to heads of agencies and offices and to the Attorney General's Office in 1996. The Ethics Act requires the recipient of these confidential reports to respond to us in 30 days. To date, however, we have received only three full responses and one partial response of the other three responses required.

CNMI Lottery Operations

In compliance with 1 CMC §9320, OPA issued an audit report of government revenues from the CNMI Lottery operations for the first quarter of fiscal year 1996. For the next three quarters, however, the auditee failed to provide the needed documents in time for us to complete and release our audit reports in 1996.

Investigative Activities

The Investigation Section was established to provide OPA with the capability to conduct investigations into allegations of fraud, waste, abuse or irregularities in the programs and

operations of the CNMI Government. During the year, the Investigation Section investigated cases involving violations of procurement regulations, fraud, misuse of government funds, misuse of government property, misuse of government vehicles, embezzlement, theft, and violations of the Ethics Act.

A total of 77 cases were investigated. 70 cases were found valid and 7 cases were determined to be unfounded because no criminal act or violation of CNMI laws and regulations occurred.

A final audit report has been issued in one case, and draft audit reports were issued in four cases. Also, audits were ongoing in six cases. Sixteen of the cases were referred to the Attorney General's Office for action. Charges were filed against errant individuals for six of these cases, while other cases are still being reviewed.

In addition, the establishment of OPA's Hotline for reporting fraud, waste and abuse resulted in numerous cases being investigated. In 1996, there were 123 calls to the Saipan and Rota Hotlines.

Referrals to the Attorney General

The law requires the Public Auditor to refer matters to the Attorney General whenever the Public Auditor has reasonable grounds to believe there have been violations of either federal or Commonwealth criminal laws. Also, the law states that if the Public Auditor believes that civil recovery proceedings are appropriate, the Public Auditor shall refer the matter to the Attorney General. The Public Auditor may file civil actions with the approval of the Attorney General.

In 1996, OPA and/or the audited agencies referred 18 cases to AGO. In addition, 17 cases were outstanding from prior year referrals - 2 from 1994 and 15 from 1995.

During 1996, lawsuits were filed in seven cases with three leading to either a conviction or a plea agreement. In two cases, AGO declined action. Seven cases are still under AGO's review, while we were not advised as to the action taken in two cases. A total of 30 referrals remain outstanding.

Appendix C shows referrals to the Attorney General's Office during 1996.

Decisions Rendered on Procurement Appeals

OPA received seven appeals of bid protest decisions by the Division of Procurement and Supply (P&S) and the Public School System (PSS). Five appeals protested the award of contracts, one appeal requested a ruling on P&S's jurisdiction over the bid protest, and one appeal requested a ruling on the timeliness of the filing of a bid protest.

Of the seven appeals, decisions were rendered in six cases. Three appeals were denied, one appeal was partially granted, P&S's jurisdiction on the protest was upheld in one case, and OPA ruled that the bid protest was timely filed in one case. One appeal is pending review.

Appendix D lists the appeals of bid protest decisions received in 1996.

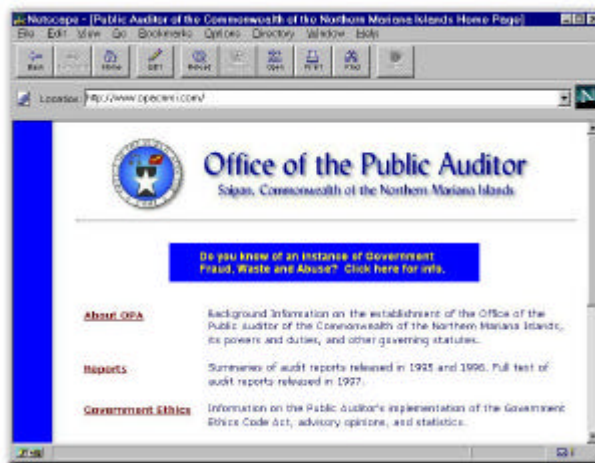
Internet Web Site

In December 1996, OPA established its Internet web site to provide the public access to information about OPA. This includes duties and responsibilities, audit reports issued, government ethics implementation, job vacancies, Hotline, and more.

Audit reports were posted on the web site and were made available almost the same day it was released. This provided the global public updated information about our reports. In addition, the availability of the reports online gives the public the option of downloading audit reports wherever they may be.

The web site also made available information about the Ethics Act's filing requirements. In addition, individuals required to file a statement of financial interest may now obtain the form online.

The web site also provided a tool for OPA to announce its job vacancies. Interested applicants may now inquire and apply via electronic mail (e-mail).



The OPA Home Page as viewed with the Netscape Navigator Internet browser.

OPA's Internet web site address is <http://www.opacnmi.com>.

Technical Assistance to Others

At the request of other Government branches, departments, and agencies, OPA provided technical assistance as follows:

- Assistance to DOF in conducting fiscal year-end cutoff procedures, including cash and inventory counts.
- Consultation on medical referral program issues, including the computerized monitoring system used by the program.
- Preparation of the CNMI Budget.
- Research of information pertaining to proposed legislation.
- Assistance to the Department of Public Safety and the Attorney General's Office in conducting investigations.

Independent CPA Firm Audits

Independent Certified Public Accounting (CPA) firms conducted financial and compliance audits of the CNMI Government and its agencies. The purposes of the audits were: (1) single audits in accordance with the U.S. Office of Management and Budget (OMB) Circular A-128 (Audits of State and Local Governments) or OMB Circular A-133 (Audits of Institutions of Higher Education and Other Non-Profit Organizations), (2) financial statement audits, (3) study and evaluation of internal accounting controls, and (4) financial and compliance audit of a Federal grant program.

In 1996, eleven audit reports were issued by the CPA firms, while draft reports were released in three audits as of year end. Please refer to **Appendix B** for a complete listing of independent CPA firm audits.



Activities during the 1996 Association of Pacific Islands Public Auditors Conference held At the University of Guam.

Appendix A - OPA Audit Reports Issued

Report No.	Issue Date	Dept/Agency	Report Title/Audit Period	Audit Period
AR-96-01	01/31/96	Tinian	Audit of Operations of the Tinian Mayor's Office	FY 1990-1993
AR-96-02	02/06/96	DPH	Audit of DPH's Medical Referral Transactions with Hawaii-Based Hospitals and Health Care Providers	FY 1993
LT-96-01	02/26/96	CUC	Audit of CUC-Rota's Collections on December 18, 1995	Dec. 18, 1995
AR-96-03	03/04/96	DLNR	Audit of the Division of Public Lands' Collection of Rentals on Land Leases with Hotels, Resorts, and Golf Courses	Lease Years 1990-1994
AR-96-04	03/12/96	DOF	Final Audit Report on Government Revenues from the CNMI Lottery Operations for the First Quarter of FY 1996 Ending Dec. 31, 1995	1st Qtr FY 1996
AR-96-05	03/21/96	DLNR	Audit of the Saipan Fishing Center and the Lease of the Garapan Fishing Base	As of Oct. 31, 1995
LT-96-02	05/14/96	Governor	Review of the Marianas/Guam Liaison Office's Imprest Funds	February 1996
AR-96-06	06/20/96	Rota	Audit of Expenditures of the Rota Mayor's Office	October 1991 to December 31, 1993
LT-96-03	07/08/96	OPM	Procurement of Computers, Printers and Accessories by the Office of Personnel Management	April 1996
LT-96-04	07/17/96	DPH	CHC-Falsification of Price Quotations for Printing Services	FY 1994-1995
LT-96-05	07/29/96	DLNR	Audit of Lease Payments of InterPacific Resorts (Saipan) Corporation dba Pacific Islands Club	Lease Years 1990-1994
AR-96-07	08/01/96	CPA	Audit of Permits, Leases, and Concession Agreements	As of Sept 30, 1994
LT-96-08	09/26/96	DPW	Improper Disposal of Two Heavy Equipment Vehicles	June 1995 to May 1996
AR-96-08	10/16/96	DPH	Audit Report-Cost Savings and Other Aspects of the Privatization of the Laboratory Operations of the Commonwealth Health Center	As of Dec. 11, 1995

Report No.	Issue Date	Dept/Agency	Report Title/Audit Period	Audit Period
LT-96-06	10/10/96	Saipan	Saipan Municipal Council - Improper Procurement of Air Conditioners	Feb 1994
LT-96-07	12/23/96	Misc	CNMI Law Enforcement Week Committee, Inc. - Audit and Investigation Funds Misappropriated by the Treasurer	Aug 1995 to Aug 1996

Appendix B - Independent CPA Firm Audits

Audit Reports Issued

	Auditee	Auditor	Type of Audit	Report Date
1.	CNMI Government	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-128 (single audit requirements of states and local governments) for FY 1995.	April 24, 1996
2.	Commonwealth Ports Authority	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-128 for FY 1996.	December 4 , 1996
3.	Commonwealth Development Authority	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-128 for FY 1996.	November 20, 1996
4.	Marianas Visitors Bureau	Deloitte and Touche	Audit of financial statements for FY 1995.	November 27, 1995
5.	Northern Mariana Islands Retirement Fund	David J. Burger	Audit of financial statements for FY 1995.	February 9, 1996
6.	Marianas Public Land Trust	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-128 for FY 1995.	December 13, 1995
7.	Northern Marianas College	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-133 (single audit requirements for institutions of higher education and other non-profit organizations) for FY 1992.	April 26, 1995
8.	Commonwealth Govt. Employees' Credit Union	David J. Burger	Audit of financial statements for FY 1995	November 1, 1996
9.	Public School System	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-128 for FY 1994	February 21, 1996
10.	Commonwealth Utilities Corporation	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-128 for FY 1994	September 18, 1995
11.	Marianas Public Land Corporation	Deloitte and Touche	Audit of financial statements for FY 1994	January 24, 1996

Audits in Progress

	Auditee	Auditor	Type of Audit	Status
1.	Commonwealth Utilities Corporation	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-128 for FY 1995.	Draft report issued.
2.	Northern Marianas College	Deloitte and Touche	Financial and compliance audit in accordance with OMB Circular A-133 (single audit requirements for institutions of higher education and other non-profit organizations) for FY 1993 and 1994.	Draft reports issued.
3.	Marianas Visitors Bureau	Deloitte and Touche	Audit of financial statements for FY 1996.	Draft report issued.

Appendix C - Referrals to Attorney General's Office Outstanding and Closed During 1996

Reference	Status of Referral
1. OPA referral letter dated 8/31/94	The AGO Criminal Division declined to prosecute. The matter was referred to the agency head for administrative action.
2. OPA referral letter dated 9/8/94	Criminal charges were filed. Case is pending trial.
3. OPA referral letter dated 1/27/95	No charges were filed as discussed with OPA Legal Counsel.
4. OPA referral letter dated 3/23/95	Settlement being negotiated with vendor.
5. OPA referral letter dated 6/23/95	No criminal action is suggested and none was requested by OPA. Per AGO, auditee's response answered OPA's concerns.
6. OPA referral letter dated 7/5/95	Under investigation.
7. OPA referral letter dated 8/14/95	Demand letters were sent. Investigation is ongoing.
8. OPA referral letter dated 9/15/95	The matter was referred to the Office of Personnel Management's legal counsel.
9. CUC referral letter dated 9/20/95	Consolidated with no. 2 above
10. OPA referral letter dated 9/27/95	Under investigation.
11. OPA referral letter dated 10/3/95	Under investigation.
12. OPA referral letter dated 10/10/95	Under investigation.
13. OPA referral letter dated 10/24/95	Judgement obtained. Collection is in process.
14. Report #AR-95-07	Under investigation.
15. Report #AR-95-11	Under investigation.
16. Report #AR-95-12	Under investigation.
17. Report #AR-95-18	Under investigation.
18. Report #AR-96-05	Under investigation.
19. Report #LT-96-01	The individual was charged in court and a plea agreement was reached that finalized this matter.
20. Report #LT-96-04, OPA Case#95-0003	Under investigation.
21. Report #LT-96-06, OPA Case#96-0002	Under investigation.

Reference	Status of Referral
22. Report #LT-96-07, OPA Case#96-0024	Referred to AGO Criminal Division for action.
23. Report #LT-96-08, OPA Case#96-0003	AGO declined prosecution.
24. OPA Case#96-0001	Under investigation.
25. OPA Case#96-0004	Referred to AGO Criminal Division for action. Criminal charges were filed and case is pending trial.
26. OPA Case#96-0005	No action taken by the Criminal Division because they believe that OPA's investigation is still ongoing.
27. OPA Case#96-0009	AGO's review of materials provided by OPA indicated insufficient evidence to file criminal charges. This was the same conclusion OPA came to in its referral. Further investigation indicates the possibility of going forward, but due to short staffing in the Criminal Division, no action has been taken to date. The matter is still pending.
28. OPA Case#96-0011	AGO Criminal Division filed criminal charges and the person responsible plead guilty and was sentenced to 9 months in prison.
29. OPA Case#96-0025	AGO Criminal Division filed criminal charges. The case is pending.
30. OPA Case#96-0028	AGO filed misdemeanor charges and the individual plead guilty.
31. OPA Case#96-0032	AGO declined prosecution but issued a cease and desist order. Also, funds were returned.
32. OPA Case#96-0036	AGO was not able to provide status of this case.
33. OPA Case#96-0038	AGO Criminal Division filed criminal charges. The case is pending.
34. OPA Case#96-0042	AGO was not able to provide status of this case.
35. OPA Case#96-0044	AGO Criminal Division filed criminal charges. The case is pending.

Appendix D - Bid Protest Appeals in 1996

Case #1

Appellant: John F. Cool
Date Filed: 10/10/95
Subject of Appeal: Revision of CNMI Labor Code
Status: Decision issued on 6/3/96.

Description:

The appeal was from the denial of the appellant's protest by the Division of Procurement and Supply (P&S) pertaining to the award of Contract No. C50332 which was a sole source procurement of professional services for the revision of the CNMI Labor Code. We concluded that the appellant was not an aggrieved party in connection with the sole source procurement of this professional service contract, and that the decision by the P & S Director to deny the protest because of lack of standing was justified.

Case #2

Appellant: Pacific Security Alarm, Inc
Date Filed: 6/21/96
Subject of Appeal: Judicial Complex
Status: Decision issued on 6/26/96.

Description:

P&S rejected Pacific Security Alarm's (PSA) protest as untimely because it was filed after working hours on day determined to be the last day of filing a timely protest. The appeal was subsequently made to OPA in which our office ruled that the protest to P&S was timely filed and therefore P&S had jurisdiction to decide on the protest.

Case #3

Appellant: Felipe Q. Atalig
Date Filed: 7/9/96
Subject of Appeal: DPS Food Service Program
Status: Decision issued on 11/29/96.

Description:

The appeal resulted from the denial of appellant's protest by P&S pertaining to Request for Proposal (RFP) No. 96-0056 which was a solicitation of proposals for the food service program of the Division of Corrections (DOC). We concluded that the appellant Casa de Felipe was a nonresponsible proposer taking into consideration its unsatisfactory performance on a previous DOC food service contract.

Case #4

Appellant: Shell Marianas
Date Filed: 7/17/96
Subject of Appeal: Government Vehicle Fuel Gas Fleet Card
Status: Decision issued on 7/18/96.

Description:

The appeal pertains to the decision of P&S on an earlier protest which terminated Shell's contract for the Government fuel gas fleet card system. We have determined that OPA did not have jurisdiction to hear the appeal since Shell is required to first file a protest with P&S.

Case #5

Appellant: Felipe Q. Atalig
Date Filed: 8/28/96
Subject of Appeal: PSS School Breakfast and Lunch
Status: Decision issued on 1/8/97.

Description:

The appeal was filed after the denial by the Commissioner of Education of the appellant's protest on PSS Request for Proposal (RFP) 96-004 which was a solicitation of proposals for the operation of the PSS school breakfast and lunch program for the school year 1996-1997. We granted the appellant's request that a new evaluation team be formed to reevaluate the proposals.

Case #6

Appellant: Leng's Enterprises
Date Filed: 10/17/96
Subject of Appeal: PSS School Breakfast and Lunch Program
Status: Decision issued on 2/24/97.

Description:

The appeal was from the denial by the Commissioner of Education of the appellant's protest on the solicitation of proposals for the operation of the PSS school breakfast and lunch program for the school year 1996-1997 in Rota. We have determined that Leng's protest with PSS was not timely filed as it failed to meet the PSSPR requirements.

Case #7

Appellant: Pacific Security Alarm, Inc.
Date Filed: 12/12/96
Subject of Appeal: Judicial Complex
Status: Under review.

Description:

The appeal pertains to the denial of the appellant's protest by P&S over the decision of the Department of Public Works (DPW) to award the contract under RFP No. DPW96-RFP-007 (design-build of a specialty electrical system for the Saipan Judicial Complex) to another proposer on this solicitation. The appeal covered the substantive arguments on the denial of the award of the contract on this RFP to PSA. The appeal is in process.

Appendix E - Organizational Chart

