

Annual Report

2001

Office of the Public Auditor Commonwealth of the Northern Mariana Islands

Michael S. Sablan
Public Auditor



Public Auditor's Message_____



The CNMI's Office of the Public Auditor is unique from most other Public Auditor offices which typically have only an audit function and occasionally an investigative function. Here we have both functions as well as a hot line, legal section, ethics unit, campaign finance, lobbyist disclosure, and procurement appeals functions. Consequently we are never at a loss for work.

Our hot line provides you, the public, with access to our office in a very confidential way. It has become so popular that we now have a back log of over 190 outstanding requests for audits and investigations. To deal with this influx of requests, OPA has created an audit committee that meets every two weeks. This committee helps us manage our audit and investigation work load through its review of requests, its conduct of needed research, and its decisions on the relative merits of each request.

OPA is committed to providing greater value to our clients, the government and the public at large by becoming more proactive and cooperative in fulfilling its responsibilities. This means that we are becoming more solutions oriented in our approach to work, and are helping government agencies and employees as much as possible before problems arise.

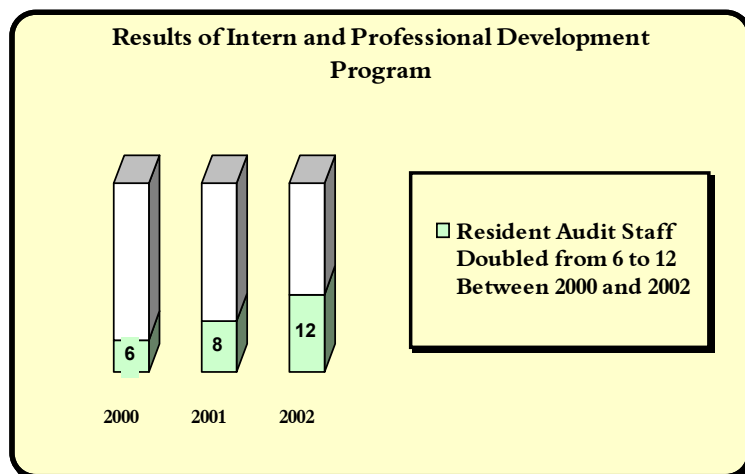
I believe this new approach is working. Because of OPA's public access, even-handedness, and objectivity, we receive an incredible number of suggestions and tips. Our website at www.opacnmi.com, which I encourage you to visit, is proving to be an excellent and popular source for the public's access to our reports and activities. Many of you may not be aware that our website is one of the more popular if not most popular "Public Auditor" sites in the world, as access to any of the mainline internet servers will show.

Despite our new proactive approach, we continue to generate reports that help make government more accountable to the public. Check out our audit reports

as well as accomplishments achieved by the joint OPA-FBI Task Force that follow for examples of how we uncover and pursue wrongdoing and protect the use of public funds. Also, the number of OPA delinquent and outstanding recommendations has decreased indicating that agencies and departments are implementing our recommendations in a more timely manner.

We have received considerable support for our improvement efforts. In August 2001 we met with Inspector General Earl Devaney as well as audit managers from the General Accounting Office in Washington to identify how we can be more solutions-oriented in our approach to audits, an effort that is being done at the Federal and state levels. As a result, the Inspector General agreed to conduct an annual development conference for the Pacific Island public auditors. Also, with assistance from the Office of Insular Affairs, we secured funding for the conduct of peer reviews in all audit offices under the umbrella of the Association of Pacific Islands Public Auditors. Finally, in September, we met with Marion Higa, State Auditor for Hawaii who enlightened us on her office's approach to work and showed us how she has improved her communication with the media and the public.

The year 2001 was accompanied by a major restructuring at OPA. We streamlined operations, cut staff to reflect government-wide austerity measures, and transitioned from a heavily non-resident staff to a mostly resident staff as mandated by law. In April, OPA successfully implemented an Intern and Professional Development Program to recruit and develop more resident auditors.



This Program has been very successful and has enabled us to increase our resident professional audit staff from six to twelve, and enabled us to provide new auditors and interns with 160 hours of audit and fraud detection training. To expand training opportunities, OPA is negotiating with the Department of the Interior's Office of the Inspector General and three Hawaii universities to provide training for auditor candidates. We hope to see the first of these new training programs in place in 2003.

In May, the CNMI hosted and I chaired a heavily attended week-long meeting of the Association of Pacific Islands Public Auditors. More than 100 auditors from 11 different island governments attended the meeting.

While 2001 was an election year with increased oversight over allegations of political abuse, OPA was also saddled with a new effort, namely overseeing the campaign reporting of individual candidates. Because the recently enacted Election Reform Act of 2000 required all 105 candidates to file campaign statements with OPA, we labored to facilitate such filing by (1) helping the Commonwealth Election Commission and the Attorney General draft procedures addressing the filing of such statements, (2) preparing written instructions for the candidates, (3) providing PowerPoint training presentations, and (4) tabulating and examining statements that were filed with us.

In October, OPA received a very high mark from a peer review committee which completed its quality-control review of our audit operations. The team, composed of the Guam Public Auditor and a CPA from the USDA Graduate School, gave OPA the highest rating possible.

The year's results and the resulting recognition were achieved through the efforts of a highly qualified, talented, and energetic staff. I continue to encourage our employees to increase their learning, take the CPA exam and become certified. Two of our auditors, Dennis Jade Figueroa and Juan Carlos Robles, passed the U.S. CPA exam in May and November 2000 respectively. Then in February 2001, Arnold Jimeno, one of our audit managers passed the exam with a remarkable average score of 93.5, becoming the third OPA employee in two years to pass with flying colors.

I cannot compliment our employees enough. Through their hard work and dedication, our office released 24 public reports in 2001. Their achievements during the year came amidst a major office downsizing as we reduced our staff from 38 to 32 even though we are authorized 49. I especially want to recognize Senior Auditor, Grace Athena Robles, selected as OPA's Employee of the Year because of her exceptional performance and dedication to the office. Among her numerous responsibilities, Grace did an excellent job in tracking audit recommendations.

Although my name appeared on last year's annual report, the current report actually reflects what we achieved during my first full year. While I have hopefully made many useful and practical changes at OPA in my first year, I remain committed to reaffirming OPA's reputation for reporting clearly on CNMI operations and providing the citizens of the Commonwealth of the Northern Mariana Islands with an accurate and objective picture of the results of government operations.

A handwritten signature in black ink, appearing to read "Msablan". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Michael S. Sablan, CPA
Public Auditor

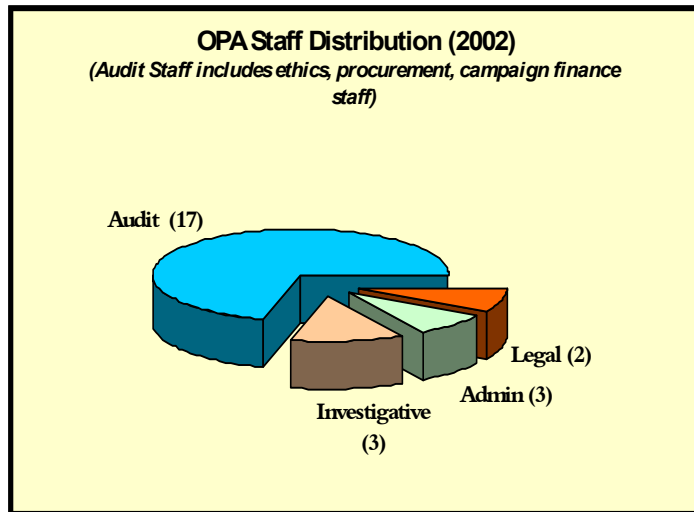
November 27, 2002

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Year in Review

The mission of the Office of the Public Auditor (OPA) is to promote government accountability and fiscal integrity and to thereby help ensure the proper use of public resources. Consistent with this mission, OPA conducted and supervised financial, operational and performance audits of CNMI departments, agencies and programs. It also adjudicated appeals of procurement protests and investigated allegations of fraud, waste and abuse, as well as potential violations of the Ethics Act, campaign finance, and other matters arising from audits which required investigation. The broad legal and constitutional mandates of the office require that OPA maintain a qualified staff of diverse backgrounds and expertise. In implementing these activities, OPA follows its overall objectives of improving the economy, efficiency and effectiveness of government operations, and detecting and preventing fraud, waste and abuse.



Audit Activities

OPA Audit Reports

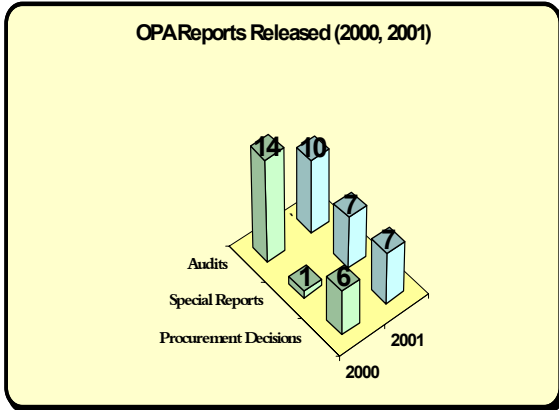
In 2001, OPA released 24 reports, including audit reports, management letters, submissions of testimony, compilation reports, and other special reports. **Appendix A** lists all OPA reports issued. Highlights of some of these reports follow on page 2 below. Entire

copies of OPA reports are available at our website: www.opacnmi.com.

Independently Contracted CPA Audits

OPA supervised and monitored the procurement and conduct of audit services for the Federally mandated single audit as well as for financial and compliance audits of the CNMI Government and other autonomous agencies. In 2001, OPA contracted with independent Certified Public Accounting (CPA) firms who

issued eight audit reports, and had 10 audits in progress at year's end. **Appendix B** provides a complete listing of contracted independent CPA firm audits.



Other Audit Activities

As of December 31, 2001, OPA had recovery efforts ongoing to collect about \$5.8 million. In addition, recommendations involving potential recovery of \$442,000 have been referred to the CNMI's Attorney General for legal action. Our recommendations are detailed in the OPA Semi-Annual Audit Recommendation Tracking Report available

on our website.

In response to numerous requests for audits and investigations, OPA has established an audit committee consisting of the Public Auditor, Chief Investigator, Audit Managers, Compliance staff, Field Liaison Officer, and Legal Counsel. The audit committee assists the Public Auditor in managing audit and investigation requests by (1) reviewing the requests, (2) conducting needed research on requests, and (3) making a decision on the relative merits of each request.

OPA receives numerous requests daily requesting audits, investigations, or advice. OPA has over 190 outstanding requests for audit or investigation and typically reviews about a dozen requests each time the Committee meets.

The CNMI Auditing Act and the Government Auditing Standards of the U.S. Comptroller General require that an independent external peer review team conduct a quality control review of OPA audit operations every three years.

In October 2001, a peer review team, com-



135 participants from Public Auditor offices in Palau, Guam, Yap, Kosrae, Marshall Islands, American Samoa, Pohnpei, and the CNMI attended the 2001 APIPA conference.

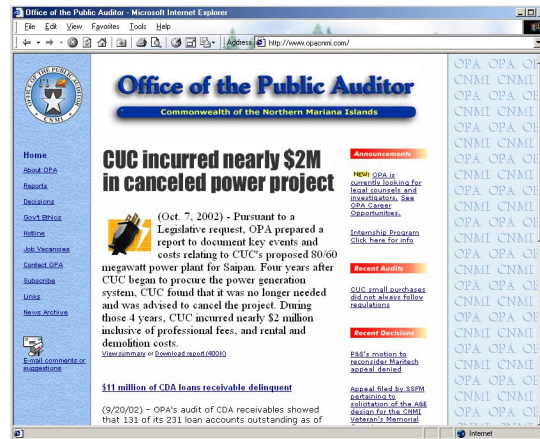
prised of the Guam Public Auditor and a CPA with extensive peer review experience from the USDA Graduate School, completed its quality control review of OPA’s audit operations. The team gave OPA the highest possible rating and commended the office for “exemplifying the highest standards of the auditing profession.” See **Appendix C** for details.

The Association of Pacific Islands Public Auditors held its 12th annual conference in the Northern Mariana Islands from June 18 to 22, 2001. The conference was chaired by CNMI Public Auditor Michael S. Sablan.

A record total of 135 participants attended the conference and a record 600 certificates were awarded to government departments, agencies and private accounting firms. Participants represented American Samoa, Yap, the Republic of Palau, the Republic of the Marshall Islands, the CNMI, the Federated States of Micronesia, Kosrae State, Pohnpei State, the U.S. Department of the Interior and the U.S. Department of Commerce.

OPA’s website provides public access to released OPA audit and letter reports; decisions on procurement appeals; Government Ethics Act requirements; job vacancies; hotline information on fraud, waste and abuse; as well as useful links to the Internet. In addition, concerned citizens continued to use the online hotline form to report government fraud, waste and abuse.

OPA receives more hits than any other “Public Auditor” including those in the 50 states. In 2001, the website received more than 25,000 “unique” visits, as compared to 13,500 in 2000 and about 12,000 in 1999. Site visitors downloaded audit reports, procurement appeal decisions, and forms for filing financial disclosure statements required by the Ethics Act. OPA’s website can be accessed at www.opacnmi.com.



“www.opacnmi.com” received over 25,000 “unique” visits last year.

OPA Selected Report Highlights

Misuse of the Challenger Since its Purchase in 1995

Letter Report LT-01-02, issued May 3, 2001, presents the results of OPA’s review of the maintenance and use of the “Challenger”, a 68-foot multipurpose boat used by the CNMI Government for various official public purposes. Immediately after its purchase by the CNMI in 1995, the vessel was placed under the control of the Department of Lands and Natural Resources. More recently it has been under the control of the Emergency Management Office. OPA’s objectives were to determine whether the CNMI adequately maintained the vessel and used it properly.

OPA’s audit indicates a lack of responsibility by CNMI officials who failed to consistently adhere to Commonwealth law or implement



The Challenger

a sound maintenance and utilization plan. The CNMI purchased the Challenger in 1995 using \$350,000 in improperly reprogrammed funds to finance the purchase. The purchase proved to be an unwise investment because a sound plan for maintenance and use had not been implemented. Although such a vessel can legally be used only for official government business, it was improperly used on several occasions in 1997 to ferry passengers to and from political fund-raising events, in violation of Commonwealth law. After 1997, use of the Challenger declined to the point where it made its last voyage in September 1999. It was subsequently put up for sale.

When purchased by the CNMI in 1995, the Challenger had a value, for insurance purposes, of about \$1.4 million. As a likely result of inadequate maintenance, its market value subsequently decreased by about \$1.1 million as of March 1999, when it was last appraised, to a value of \$325,000. Approximately \$600,000 of this decrease can be attributed to other than normal depreciation, with poor maintenance and use the most likely causes.

We recommended that: (1) the Governor issue a memo emphasizing that when government departments and agencies procure vehicles (including vessels), they should also provide a plan which includes budgetary provisions for maintenance and upkeep; (2) the Governor issue a memo that boats are to be treated as vehicles and therefore may not be used for other than official government business; (3) the Director of the Division of Procurement and Supply advertise the Challenger for sale worldwide; (4) the Attorney General issue appropriate administrative sanctions against a former official of the Office of Management and Budget for violating the Planning and Budgeting Act; (5) the Secretary of Finance re-examine implementation of the Department of Finance's Property Management and Accountability Policy to ensure that (a) the Division of Procurement & Supply maintains a master inventory of property and conducts

an annual inventory, and (b) agencies affix control numbers to property they maintain, or (c) the Division of Procurement & Supply revise its policy to accommodate property considered integral to primary equipment; and (6) the CNMI Legislature enact legislation to amend the Planning and Budgeting Act by adding a provision that any Government employee who improperly reprograms government funds or receives illegally reprogrammed funds shall be held personally liable.

Department of Public Safety's Confidential Informant Fund and Prostitution Fund for the Fiscal Year ended September 30, 1999

Letter report LT-01-08, issued November 30, 2001, presents the results of the audit of the Confidential Informant Fund (CIF) and the Prostitution Fund for the Fiscal Year ending September 30, 1999. The report examines how the two Funds' cash balances were accounted for until they were transferred to a new custodian on March 29, 2000 and May 5, 2000, respectively.

After conducting a surprise cash count, and analyzing fund receipts and disbursements, OPA identified cash shortages, some of which remains unrecovered from the custodian. It appears that the former custodian of the CIF and Prostitution Fund did not properly account for payment documents nor ensure that only legitimate cash payments were taken from cash in the former custodian's custody.



The main office of the Department of Public Safety in Susupe, Saipan.

Subsequently, the former custodian and an investigator reimbursed the CIF and the Prostitution Fund for cash shortages discovered. Also, cash was outstanding beyond the permissible periods, support for expenses incurred was inadequate, and a cash shortage remains unpaid.

We recommended that the DPS Commissioner:

- improve the control procedures used to monitor and record fund transactions by instructing the new custodian to develop accounting procedures and establish guidelines for turnover of funds to a new custodian.
- enforce compliance with the 48-hour limit for liquidation of cash advances by reporting violations to DPS management.
- collect the advance from the former custodian unless the disbursement can be adequately supported; and
- transfer responsibility for the Prostitution Fund's bank account to DOF and return an amount previously in the Special Operations Task Force account to the General Fund.

Travel by Personnel from the Northern Mariana Islands Retirement Fund (NMIRF) from October 1996 Through March 2000

Report LT-01-04, issued August 8, 2001, shows that a number of NMIRF officials and employees did not strictly comply with the NMIRF's travel policy. Also, at least 21 NMIRF travelers were overpaid \$42,776 because NMIRF management failed to enforce the agency's travel policy and consistently implement travel procedures. Further, NMIRF had no assurance that travel was for intended purposes. Finally, NMIRF officials and employees held excess travel funds longer than permitted.

We recommended that the NMIRF Board of Trustees and Administrator take certain steps: (1) remind all NMIRF travelers to comply with the agency's travel policy and procedures; (2) enforce sanctions or remedies for travel violations by denying additional travel advances to travelers with unliquidated advances, by making payroll deductions for travelers who fail to submit the required travel documents on time, and by requiring board members, including those who are not government employees, to immediately repay outstanding travel advances; (3) disallow the practice of using corporate credit cards for payment of hotel and car rentals; and (4) identify off-island meetings and conferences considered non-essential that should be eliminated.



The Northern Mariana Islands Retirement Fund in Capitol Hill, Saipan.

Travel of the Commonwealth Utility Corporation (CUC) Board of Directors, Key Management and Other CNMI Government Officials From October 1999 Through March 2001

Report LT-01-07, issued November 23, 2001, presents the results of OPA's audit of travel by CUC's Board of Directors, key management and other Commonwealth of the Northern Mariana Islands government travelers at CUC expense for the period October 1999 through March 2001. The report shows that CUC spent \$710,000 for travel by CUC personnel, board members, and other CNMI officials over an 18 month period ending March 31, 2001.

OPA's audit shows non-compliance with CNMI government policies on economy-class air travel, granting and liquidating travel advances, and providing supporting documentation. As a result, travel funds were held longer than allowable, travel expenses were not recorded in the proper period because of delays in the liquidation of advances, and improper costs were incurred for first-class or business-class airline tickets, as well as for per diem, car rental and other travel costs, which were not always supported with proper documentation. More specifically:

- Management and board members were granted business and first-class airline tickets costing \$175,553 rather than economy-class fares, resulting in excess payment of about \$87,800.
- Management and board members were given travel advances when they collectively still had unliquidated travel advances of \$53,485 outstanding.
- Board members were advanced 100 percent of allowable travel costs when only 80 percent was allowable, resulting in excess cash advances of \$18,283.
- About 39 percent of travel advances were not liquidated within the required number of days.
- Board members did not prepare detailed trip reports, as required, for 75 trips.

We recommended that: (1) the Board immediately adopt rules on travel and per diem rates that are the same as the CNMI travel policies for all board members' travel; (2) the Board chairman issue a directive to enforce CUC's policies on economy class travel, the granting and liquidation of travel advances, and payment of per diem; (3) the Board chairman issue a directive to ensure adherence to CNMI travel policies on the 80 percent ceiling for travel advances, the immediate return of any

outstanding travel advances for cancelled trips, and submission of detailed trip reports; (4) the Board chairman and the Executive Director initiate recovery of any overpayments mentioned in this report; and (5) the Executive Director continue the effort to standardize CUC's travel policies and procedures.

Survey of CNMI-contracted lobbyist activities from January 1994 through September 2001

Report M-01-05 was issued on November 9, 2001 in response to the Senate Fiscal Affairs Committee's urgent request for information concerning lobbyist activities. OPA agreed to provide the committee with preliminary survey information on CNMI contracted lobbyist activities during the two most recent administrations.

The report showed that the CNMI may have paid as much as \$9.5 million for lobbyist services during the last eight years. About 72 percent of this \$9.5 million, or about \$6.7 million, was paid to one lobbyist, Preston Gates. Of the \$3.8 million incurred in 1997, \$3.1 million was paid to Preston Gates, most of which was for services rendered without a valid contract. As indicated in the report, the CNMI recently reduced lobbying costs, but may still need to take additional action if it decides to hire or retain lobbyists.

The individual in the Preston Gates contract considered key in attaining the CNMI's objectives was Jack Abramoff. In late 2000, Abramoff left Preston Gates and joined the firm of Greenberg Traurig. Before Abramoff relocated to Greenberg Traurig, Preston Gates reportedly ranked as one of the ten largest lobbyists in the United States, with the CNMI reportedly among Preston Gates' largest clients. In early 2001, the CNMI contracted Greenberg Traurig for lobbyist services at a rate of \$100,000 per month.

While there is a strong feeling that Washington lobbyists contracted by the CNMI have helped preserve the status quo here on some major issues, such as legislative threats to raise the minimum wage or a federal “takeover,” OPA could not, in the time allowed to issue the report, verify the impact of lobbyists in Washington. Further, it would have been difficult to validate to what extent lobbyists were the reason behind preserving the status quo, as there are many outside forces that factor into such decisions in Congress. Some believe that as long as the CNMI must confront issues, it will need the close access to the Federal Government and the U.S. Congress that only a Washington lobbyist or its own Washington Representative can provide.

OPA interviewed three key policy advisors to the current governor concerning the CNMI’s use of two lobbyists -- Preston Gates and Greenberg Traurig. All three advisors indicated that these two lobbyists had made a difference through their access and relationships in Washington. One said that although the previous administration may have paid too much for services of Preston Gates, the past administration had reduced such costs by eliminating certain lobbying costs, such as travel by members of Congress, congressional staff and lobbyists to the CNMI. OPA also interviewed the Washington Representative, then in office, who suggested that the language of lobbyist contracts should be more specific as to CNMI requirements, and that objectives should be better defined, thereby helping to ensure the CNMI gets its money’s worth.

CNMI Lottery Operations

OPA issued quarterly certifications of revenue for the first three quarters of Fiscal Year 2000. OPA will in the future conduct an annual audit each fiscal year rather than the more time consuming quarterly audits.

Investigative Activities

OPA’s investigative unit was established to enhance the office’s capability to conduct investigations into allegations of fraud, waste, and abuse in the collection and expenditure of public funds, as well as into irregularities in the programs and operations of the CNMI Government. In 1998, OPA entered into an agreement with the Federal Bureau of Investigation to form a joint task force. Investigations by this task force have resulted in convictions in Federal court.

Among the accomplishments of the OPA-FBI Task Force Office in 2001:

- A former Secretary of Finance was sentenced by the U.S. District Court to 33 months imprisonment for stealing government funds, and was ordered to pay \$56,462 in restitution, a \$15,000 fine, and a \$300 special assessment fee.
- The former Tinian Resident Director of the Department of Labor and Immigration pled guilty to theft of federal program funds when he admitted he knowingly defrauded the CNMI government of approximately \$16,000 by using the DOLI-Tinian phone system.



Lottery ticket booth at the La Fiesta Mall in San Roque, Saipan.

- The Task Force initiated an investigation into illegal typhoon payments with OPA sending a case report to the Attorney General's Office recommending repayment by promissory notes. As a result, repayments were made without the government needing to take legal action.
- The former DPS custodian of the Confidential Informant Funds was sentenced by the U.S. District Court to 27 months imprisonment for theft from a CNMI federally-funded program, and was ordered to pay \$8,491 in restitution, a \$15,000 fine and a \$100 special assessment fee.
- A contractor hired by the Department of Public Works to survey land for the Tinian Road Resurfacing Contract was sentenced by U.S. District Court to eight months imprisonment for mail fraud, and was ordered to pay \$100,000 in restitution, a \$30,000 fine and a \$100 special assessment fee.

OPA's Investigation Unit independently conducted investigations resulting in:

- the Attorney General filing charges against a former Tinian Casino Gaming Control Commission consultant for improper receipt of Commission funds.
- the Attorney General filing charges against two Rota Customs employees for stealing over \$30,000 in excise taxes. The AG indicted one of the two employees for theft, forgery, possession of forged writing, willful evasion of CNMI Customs Regulation, and conspiracy, and charged the second employee with conspiracy.

OPA's Investigations Unit assisted the Attorney General's Criminal Investigations Unit in determining the amount of money scammed by a Chinese businesswoman from her illegal banking activity with employees of

garment factories.

OPA's Investigations Unit was awarded a \$25,000 federal grant from the Department of Justice's Law Enforcement Block Grant to help fund the Unit's operating cost.

Compliance Activities

Procurement

Violations of the CNMI government's procurement regulations continue to be recurring issues in OPA audits of CNMI agencies. In May 2001, OPA assisted the Executive Branch in revising these regulations. To help make procurement regulations more understandable to procurement officials, OPA developed a presentation using Power Point software, that enables the Ethics Unit to educate large groups about provisions in the CNMI Procurement Regulations. This presentation, which has been updated to reflect the changes, addresses the following topics:

- Procurement Organization
- Source Selection and Basic Competitive Procurement
- Special Procurement Methods
- Contracting Information
- Protests and Disputes
- Ethics in Public Contracting

The CNMI Procurement Regulations require OPA to adjudicate procurement protest appeals. As such, OPA must hear and issue decisions on bidder appeals of protests denied by the Division of Procurement and Supply. In 2001, OPA received seven appeals of protests that had been denied by the Director of the Office of Procurement and Supply. The appeals presented issues concerning awards of contracts and violations of the CNMI

Procurement Regulations. Five appeals were denied for various reasons, one was partly granted and one was dismissed for lack of jurisdiction. **Appendix D** lists OPA decisions issued in 2001 on appeals of procurement protests.

Government Ethics Act

In 1996, OPA established the Ethics Unit within the Audit Division. The unit was tasked with implementing and enforcing the Government Ethics Code Act of 1992. In 1997, OPA developed procedures for the operation of the unit. In addition, a record-keeping and follow-up system was established for receiving and investigating complaints, and for preparing and issuing reports and opinions on ethics matters. In 2001, OPA developed and published new campaign-finance filing procedures and made 12 ethics and campaign-finance presentations to more than 200 people. Seventy five ethics presentations have been scheduled for 2002.

In 2001, the Ethics Unit continued its vigorous implementation of the financial disclosure requirements of the Ethics Act. Under the Financial Disclosure Program, OPA attempts to ensure that elected officials and individuals appointed by the governor to boards and commissions file financial disclosure statements annually with our office. All new appointees are required to file such statements before assuming office so as to disclose any possible conflicts of interest. During Fiscal Year 2001, over 500 such statements were filed with OPA by elected officials, as well as appointees to boards and commissions, and to the judicial, executive and legislative branches. Once filed, such statements are confidential. During the year there were 46 late ethics filers, an increase of 306 percent over the previous year.

To educate government employees and officials about the CNMI Government Ethics

Act, OPA conducts ethics educational presentations throughout the year. OPA also has developed and disseminated five brochures to assist government employees and the public in understanding ethics issues. The presentations and the brochures address:

- Conflict of Interest
- Gifts and Gratuities
- Complaints on Ethics Violations
- Political Activity, and
- Filing of Financial Disclosure Statements.

OPA continues to distribute these pamphlets to new filers and public employees who attend our ethics presentations.

OPA responds to inquiries about Ethics Act matters. Because of the sensitivity of many of these matters, decisions on them are frequently coordinated closely with our legal counsel. OPA also conducts investigations into ethics complaints and issues written ethics reports. We have issued 14 ethics reports, all confidential, over the last three years. Occasionally, OPA renders formal advisory opinions using the assistance of our legal counsel. In May 1999, we submitted legislation with the goal of strengthening the Ethics Act, and bringing the Ethics Act into closer uniformity with the Model Act developed by the Council on Governmental Ethics. This proposed legislation has not been acted upon.

Campaign Finance

The Election Reform Act of 2000 was implemented in the 2001 general elections. The new law designates OPA as the depository for campaign spending reports. OPA has worked closely with the Commonwealth Election Commission and the Attorney General in drafting and finalizing procedures for filing Campaign Statements of Account.

By law (Public Law 12-18), all candidates must file with OPA within 50 days of the end of the election (S.6424). For the 2001 election, the filing deadline for campaign statements was December 24, 2001.

These filing procedures were published in the CNMI Register in June 2001. OPA also prepared forms that candidates can use in filing campaign statements, as well as written instructions including advice on who must file, when and where, forms preparation, and information on penalties for late filing. The instructions and forms are available through OPA's website: www.opacnmi.com.

The campaign statements are to be made public 10 days after they are filed with OPA.

The act requires the Election Commission to either publish them in a CNMI newspaper or post them in certain designated public places. Stiff penalties apply to anyone violating campaign financial disclosure requirements.

Prior to the 2001 election, OPA briefed party members on each of the three islands on campaign financial disclosure requirements using Power Point presentations, and giving party members an opportunity to ask questions about the instructions and the forms.

In summary, we hope this report provides you useful information. My first year at OPA, 2001, was a challenging and exciting year.

Appendix A - OPA Reports Issued

Report No.	Issue Date	Dept/Agency	Report Title	Audit Period
AR-01-01	01/30/01	NMIRF	Audit and Investigation of Health Insurance Payments to Megaplus International CNMI, Inc. for Physical Therapy Services	June 1993 to December 1999
ML-01-01	03/19/01	DPW	Reconciliation of Project Billings - Department of Public Works' Contract for the Design and Construction of Repairs to the Department of Public Safety's Division of Correction Detention Facility	July 1999 to June 2000
AR-01-02	03/22/01	DLNR	Audit of the DLNR Agreement with the Marine Revitalization Corporation for Operating the Outer Cove Marina	May 1993 to October 1996
ML-01-02	04/16/01	DOF	Review of Hiring of a Customs Trainee by the Department of Finance in 1996	1996
LT-01-01	04/25/01	DOF	Audit of Government Revenues from the CNMI Lottery Operations	Third Quarter of Fiscal Year 1999 Ending 6/30/99
LT-0102	05/03/01	DLNR	Audit of the Maintenance and Use of the Challenger Since its Purchase in 1995	September 1995
LT-01-03	08/01/01	SMO	Audit of Cash Receipts and Disbursements of the 1999 Liberation Day Committee	April 1 to October 31, 1999
LT-01-04	08/08/01	NMIRF	Audit of Travel Outside the CNMI	October 1996 to March 2000
LT-01-05	08/15/01	NMIRF	Audit of Billings for Professional Services Contract	October 1, 1996 to February 29, 2000
LT-01-06	08/15/01	DOF	Audit of Government Revenues from the CNMI Lottery Operations	Fourth Quarter of Fiscal Year 1999 Ending 9/30/99
M-01-01	08/15/01		Testimony to the Senate on Executive Appointments and Government Investigations and Judiciary, Government and Law Concerning CNMI Government Procurement Practice and Procedures	
M-01-02	10/02/01	SCU	Saipan Credit Union Compilation Report	As of June 30, 2001
M-01-03	10/16/01		Testimony to the Senate on Executive Appointments and Government Investigations Concerning the Nonresident Workers Fee	Fiscal Years 1987 to 2001
M-01-04	10/09/01	PSS	Preliminary Survey on PSS Travel Expenditures for Board Members and Key Management	April 1, 1999 to June 30, 2001

Report No.	Issue Date	Dept/Agency	Report Title	Audit Period
M-01-05	11/09/01		Survey of CNMI-Contracted Lobbyists Activities	January 1994 through September 2001
LT-01-07	11/23/01	CUC	Audit of Travel of the CUC Board of Directors, Key Management, and other CNMI Government Officials	October 1999 through March 2001
LT-01-08	11/30/01	DPS	Audit of the Department of Public Safety's Confidential Informant Fund and Prostitution Fund	Fiscal Year Ended September 30, 1999

Appendix B - Independent CPA Firm Audits

	Auditee	Auditor	Type of Audit	Report Date
1.	Marianas Public Land Trust	Deloitte & Touche	Financial statements and independent auditor's report for FY 2000	January 15, 2001
2.	Commonwealth Development Authority	Deloitte & Touche	Financial in accordance with OMB Circular A-133 and report on internal control and on compliance in accordance with GAS for FY 2000	January 17, 2001
3.	Marianas Visitors Authority	Burger & Comer, P.C.	Financial statements and report on compliance and on internal control over financial reporting in accordance with GAS for FY 2000	January 19, 2001
4.	NMI Health and Life Insurance Trust Fund	Burger & Comer, P.C.	Financial Statements for FY2000	May 10, 2001
5.	Northern Mariana Islands Retirement Fund	Burger & Comer, P.C.	Financial statements and supplementary information for FY 2000	May 10, 2001
6.	Worker's Compensation Commission	Burger & Comer, P.C.	Financial statements for FY 2000	May 10, 2001
7.	CNMI Government	Deloitte & Touche	Financial in accordance with OMB Circular A-133 and report on internal control and on compliance in accordance with GAS for FY 2000	June 5, 2001
8.	Public School System	J. Scott Magliari Company	Financial in accordance with OMB Circular A-133 and report on internal control and on compliance in accordance with GAS for FY 1999	July 20, 2001

Appendix C - OPA's Peer Review Report



ASSOCIATION OF PACIFIC ISLAND PUBLIC AUDITORS

October 19, 2001

The Honorable Pedro P. Tenorio, Governor
Commonwealth of the Northern Mariana Islands
Caller Box 10007, Capitol Hill
Saipan, MP 96950

Dear Governor Tenorio:

Attached for your reference is the final report of the CNMI's Office of the Public Auditor pursuant to a Quality Control Review done by our team of auditors from the Association of Pacific Islands Public Auditors (APIPA). External quality control reviews are required of all audit offices issuing audit reports guided by government auditing standards (GAS) at least every three years. Because of this requirement, your Public Auditor initiated and contracted with APIPA.

Your Public Auditor's Office received a full compliance report, the highest of three possible ratings issued in an external quality control review such as this. The report now becomes public information and may be made accessible to any interested person(s). The working papers and other supporting documentation accumulated during our review shall be maintained by the CNMI Public Auditor's Office.

For your information, the expenses of this Quality Control Review were born by the USDA Graduate School's Pacific Island Training Initiative, through the auspices of the U. S. Department of Interior's Office of Insular Affairs.

It was a privilege working with the staff of the Public Auditor's Office, most especially Mr. Sablan the Public Auditor. They were most cooperative and helpful to the team and exemplify the highest standards of the auditing profession.

Sincerely,

Charles W. Hester, CPA,
CFE, CFS, CGFM
Technical Consultant
USDA, PITI
Team Leader

Doris Flores Brooks, CPA
Public Auditor, Guam

Randall V. Wiegand, CPA, CGFM
Audit Manager, Office of the Public
Auditor, Guam

cc: Mr. Michael S. Sablan, CPA
Public Auditor, CNMI

Members
Office of the Public Auditor
of

Territory of American Samoa, Commonwealth of the Northern Mariana Islands,
Republic of the Marshall Islands, Federated States of Micronesia, Republic of Palau
Pohnpei State, Yap State, Territory of Guam

Appendix D - Decisions on Procurement Appeals

Decision No.	Issue Date	Appellant	Subject Procurement	OPA Decision
BP-A023	01/25/01	Rosario B. Aldan	CNMI Nutrition Assistance Program Solicitation for Coupon Issuance Agent ITB00-0054	Denied.
BP-A024	01/25/01	Island Business Systems & Supplies	Commonwealth Utilities Corporation Procurement of Six Copier Machines	Denied.
BP-A025	02/5/01	Saipan Power Partners, Telesource CNMI, Inc., and the Consortium of Tomen Power, Singapore Power, Alsons and Tan Holdings Corporation	Commonwealth Utilities Corporation Construction and Operation of a New Power Generation Facility CUC RFP 97-0025	Dismissed.
BP-A026	10/09/01	Island Business Systems & Supplies	Department of Public Health Procurement of a Copier Machine ITB01-PHS-0073	Denied.
BP-A027	11/09/01	Western Equipment, Inc. and DRC Pacific, Inc. Joint Venture	Department of Public Works Marpi Solid Waste Facility Project DPW00-IFB-049	Granted in part.
BP-A027.1	11/28/01	Procurement and Supply	Department of Public Works Marpi Solid Waste Facility Project DPW00-IFB-049	Denied.
BP-A028	12/17/01	Hawaiian Rock Products Corporation	Department of Public Works Paving of the Susupe Sports Complex Parking Lot DPW00-IFB-062	Denied

