



OFFICE OF THE PUBLIC AUDITOR

COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS

2003-2004 Annual Report

Promoting Public Trust Through Public Service
Ma Atbåbånsa I Konfiånsan Pupbliku Gi Setbision Pupbliku
Arroya Appelúghúlúghúl Toulap Llól Angaangal Toulap

Public Auditor's Message

Accountability is about people -- the public servants who strive to deliver it, and the taxpayers who demand it. Here at the CNMI Office of the Public Auditor (OPA), we are committed to fact-finding, analysis, and providing our citizens with accurate and objective information about how our government is run.

Because the accountability profession is becoming more sophisticated, we are always seeking ways within OPA to strengthen the skills of our staff through advanced professional training. We have developed close relationships with federal audit organizations, including most importantly, The Department of Interior's Office of the Inspector General and the General Accounting Office, to assist us in staff development. The Department of Interior's Inspector General Earl Devaney and Deputy Assistant Secretary David Cohen have been most supportive in our efforts. Our success in building capacity at OPA is largely attributable to their assistance.

The effectiveness of the work we do depends on our investment in our staff and their commitment to their work and dedication to public service. I am very honored to work with a group of hardworking people, each of whom is dedicated to fulfilling the mission and mandates of OPA. During the past two years, three staff members have stood out and received recognition: Robert C. Torres was nominated OPA's 2004 Employee of the Year, Kimberly M. Mendiola received the prestigious 2005 CNMI Employee of the Year Award, and Rosauro D. Zapanta was the recipient of OPA's 2005 Leadership Award. In my view, these three individuals are a reflection of the drive and dedication of every staff member at OPA.

Accountability is everybody's business and we plan to promote and advance accountability government-wide through expanded training opportunities in the future. The success of our collective efforts to promote accountability and public trust hinges on our ability to work together. So far, I am very happy with the results of our efforts to advance greater accountability to the people we serve.

We at OPA will continue our mission to be tough on fraud, waste, abuse and public corruption. We will also work equally hard at building the trust of the people we serve by implementing preventive measures while maintaining the highest standards of independence, integrity and professionalism.

Michael S. Sablan, CPA
Public Auditor



Introduction

The mission of the Office of the Public Auditor (OPA) is to promote and advance government accountability and public trust through the prevention and detection of fraud, waste and abuse, while maintaining the highest standards of independence, integrity and professionalism. 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 protest 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 that 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.

Setting Strategic Directions for OPA

Following OPA's staff transition to resident auditors, steps were taken to develop OPA's first strategic plan in September 2004 to prioritize use of resources and set long-term goals. With the assistance of the Department of Interior's Office of Insular Affairs (OIA) and the U.S. Department of Agriculture Graduate School, OPA hired professional facilitators, Lowell (Duke) Kuehn, and Cheryl Broome, the Public Auditor of King County, Washington, to assist in developing a strategic plan for our entire network. From auditing to office management to human resource development, a fundamental goal was to prioritize OPA resources in order to best fulfill our mandates. Planning can only be successful if the stakeholders who developed the plan are committed to its implementation. This endeavor proved to be especially challenging because of the diversity and multiple tasks of OPA's mandates. Recalling the old adage, "Failing to plan is planning to fail," Public Auditor Mike Sablan said the entire staff was instrumental in implementing the plan and he urges all government departments and agencies to set their own directions through proper planning and prioritization.



**" Failing to
plan is
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to fail. "**



Top: OPA staff in a group strategic planning session

Bottom: OPA staff with facilitators Duke Kuehn (6th from right, back row) and Cheryl Broome (4th from left, front row)



Reporting to Promote Accountability

In 2003-2004, OPA released nine special reports and audits. The entire copies of OPA reports are available at our website: www.opacnmi.com.



Relocated CUC Offices at former La Fiesta Mall



Senate Chambers located in Capitol Hill



Attorney General's Office located at the Administration Bldg.

CUC - Audit of Personnel Hiring Report No. AR-03-01, January 15, 2003

In an audit of Commonwealth Utilities Corporation (CUC) personnel hiring practices during the period October 1999 to July 2001, OPA found that: CUC did not have in place comprehensive personnel rules and regulations; inappropriate direct CUC board involvement in management activities; and, CUC lacked a compensation and classification scale. Absent clear guidelines for hiring, CUC failed to hire employees based on merit and qualifications.

CUC - Audit of Premium Pay, Overtime, and Salary Increases (Oct 1999 - Sep 2001) Report No. AR-03-02, January 22, 2003

Although its enabling legislation requires CUC to adopt rules and regulations, CUC had not done so. CUC instead relied on its Personnel Manual which, in addition to not having the force and effect of law, was incomplete and did not adequately address premium pay, on-call and standby pay, within-grade increases, merit increases, and other compensation practices. OPA found significant payments for on-call and standby payments made that were not addressed in the Personnel

Manual. OPA also found employee promotions and performance ratings that were not supported with adequate justification.

NMC - Facts and Circumstances Surrounding the Termination of Employees Report No. AR-03-03, February 19, 2003

Contrary to accreditation standards that needed to be followed, the former Northern Marianas College President conducted a reorganization of the college with input from and involvement of most college officials other than Board members. The reorganization was less than thorough as it was only accompanied by a new organization chart and a draft memorandum to the Board that did not adequately specify what was to be done and when, how it was to be implemented, and who were to be affected. The reorganization resulted in the termination of 11 employees and the filling of four positions. These personnel actions were effected in contradiction of Board policy.

AGIU - Audit of Confidential Informant/Cash Funds Report No. AR-03-04, March 11, 2003

In response to a request from the Attorney General Investigative Unit

(AGIU), OPA audited four funds maintained by the unit: Witness Protection Fund, Labor and Immigration Federal Grant Fund, Witness/Informant Fund, and Special Investigation Fund. Our audit showed inadequate internal controls over the funds including incompatible responsibilities placed on the funds custodian, weak record keeping, unclear review procedures, and lack of written guidelines on allowable funds disbursements.

SENATE - Audit of Monthly Subsistence Allowance Provided to Members of the Senate Report No. AR-03-05, August 6, 2003

OPA's review of Senate subsistence allowances provided during the six months ended June 30, 2003, found that while authority for the \$5,000 monthly allowances for Rota and Tinian senators is provided in Senate rules and regulations, the NMI Constitution and Commonwealth law require such allowances to be in the form of a law. Our analyses and review also found that the actual monthly travel expenses incurred by the Rota and Tinian Senators was likely to be considerably less than the \$5,000 allowance, resulting in an unjustified personal benefit in violation of public purpose.

Reporting to Promote Accountability



Department of Public Health



Washington Representative's Office in Capitol Hill



AAFES Troop Store located at the Army Reserve Facility

DPH - Hiring of Nurses Directly vs. Contracting through Manpower Agencies Report No. AR-03-06, August 19, 2003

As of December 31, 2002, three manpower agencies had provided the Department of Public Health's (DPH) Commonwealth Health Center with 126 of its 209 nurses and CHC had directly hired the remaining 83 nurses. OPA's evaluation as to whether hiring nurses through manpower agencies saves DPH money without compromising patient care found that while cost savings were realized, continuing the manpower hiring practice will perpetuate other problems, most notably the difficulty in retaining qualified nurses.

WRO - Management Letter Report on Expenditures for Fiscal Years 1998 & 1999 Report dated February 18, 2004

OPA's review of FY 1998 and FY 1999 expenditures at the Washington Representative's Office (WRO) found

that the office spent \$236,515 beyond authorized spending levels. The review also found that two employees were paid in excess of the salary cap, and that the office did not comply with applicable laws and regulations on travel and procurement, and failed to establish critical internal controls on attendance, long distance calls, and employee duties.

CNMI Federal Grants Process Report dated March 3, 2004

Citing concerns that the CNMI may not have obtained and used all federal grants available, a former Chairman of the House Federal and Foreign Affairs Committee requested OPA to review the CNMI's processing of Federal grants. Over \$60 million in Federal grants are awarded to the CNMI annually. Our review of relevant laws and regulations, financial information obtained from the Department of Finance, the Office of Management and Budget, and local grantee offices for FYs 2002 and 2003 pointed out the significance of Federal grants as a source of

government revenue. Our report presented suggestions for improvement in the areas of grant reviews, performance accountability, and grant financial control.

AAFES - Reported Abuse of Army and Air Force Exchange Service Privileges Report dated December 16, 2004

At the request of a former Chairman of the House Committee on Commerce, OPA obtained and surveyed information related to shopping activities at the AAFES Troop Store - Saipan. While the Troop Store brings benefits and positive influences to the community, the survey pointed out serious concerns relating to alleged abuses of shopping privileges, the fiscal impact of the abuses on tax revenues in the CNMI, and the authorized sales of beer and soft drinks at the store for political gatherings.





OPA Staff Rolando Decena, Wilma Atalig, & Taula Peter with FBI Agent Dana McMahon at the opening of the OPA Rota Office



OPA Rota Office located at the Sunset Villa Beach Cottages

OPA Investigates Fraud, Waste and Abuse

OPA’s Investigative Unit was established to look into allegations of fraud, waste, and abuse in the collection and expenditure of public funds, including government programs and operations. An agreement with the Federal Bureau of Investigation resulted in the formation of a joint task force on white-collar crime and public corruption. Investigations by this task force have resulted in convictions in Federal Court. The Investigative Unit continues to receive many complaints from the public to investigate fraudulent practices and activities. Because of the complexity of their role within the government, OPA investigators must prudently review every investigative request and related activity. The Unit was awarded a \$30,000 Edward Byrne Memorial State Program Block Grant for White Collar Crime Investigations Assistance. The grant, under the CNMI Criminal Justice Planning Agency, was used to supplement local funding for investigative operations and ongoing training and professional development programs.

OPA Extends Community Access to Rota

To provide better community access, OPA opened its first satellite office on the island of Rota in July 2005. The office was opened due to many requests from residents and government employees on Rota for more access to OPA services. The office is located at the Sunset Villa Hotel near Songsong Village, and staff from Saipan are rotated to Rota on a weekly basis. The office will be shared with the Federal Bureau of Investigation, the Office of the Attorney General, and the Department of Interior’s Office of Inspector General (OIG). Plans are being considered to staff the office full time and open a second satellite office on Tinian in 2006.



(Top and bottom): OPA Investigators Rolando Decena and Taula Peter adding finishing touches to the OPA signage.



Ensuring Fairness in the Procurement Process

APPEAL NO. BP-A045

Appeal Filed by Lawyers' Services on the ITB-04-DCCA-0160 "NAP Issuance Agent"

In an Invitation to Bid (ITB) for a Nutritional Assistance Program (NAP) Issuance Agent by Lawyers' Services (LS), the Procurement and Supply (P&S) Director adjusted the LS bid when the bids were opened because LS did not submit a valid application for local preference in compliance with the CNMI-PR. LS filed a protest, which the Director found untimely. Subsequently, on September 17, 2004, LS filed an appeal with the Office of the Public Auditor (OPA). On November 3, 2003, OPA issued its decision upholding the P&S Director's action in not applying the local preference and his finding that the protest was not timely.

APPEAL NO. BP-A043

Appeal Filed by J&A Enterprises from the Denial of J&A's Protest by the Executive Director of the Commonwealth Utilities Corporation (CUC) on CUC IFB-04-003.

J&A protested CUC's award under an IFB for submersible pumps, claiming the bid did not meet the IFB's specifications. The Director's Protest Decision denied J&A's protest as untimely. On August 5, 2004, the Office of the Public Auditor (OPA) issued its decision on the appeal, finding that the determination made by CUC was erroneous. The contract was terminated by CUC prior to the issuance of OPA's decision, and no argument or determination was presented that the contract should be

affirmed. CUC's cancellation of the award was allowable under the CUC-PR. Therefore, although the Executive Director's decision that the protest was untimely was reversed, as the contract was cancelled, no other remedies were available.

APPEAL NO. BP-A040

Decision on Solid Builders Inc.'s Appeal of the CUC Executive Director's Protest Decision on CUC-IFB-02-025 - As Matuis Subdivision Sewer System

On November 24, 2003, Solid Builders Inc. filed an Appeal with the Office of the Public Auditor (OPA) pertaining to the Commonwealth Utilities Corporation (CUC) Executive Director's denial of Solid Builders Inc.'s protest regarding CUC-IFB-02-025, construction of the As Matuis Subdivision Sewer System. In OPA's decision, it found that CUC-PR § 4-101 (2) requires bid security in construction procurement and further requires the rejection of a bid for failure to provide such bid security. The record showed that Appellant did not provide acceptable bid security and, therefore, OPA found that CUC properly rejected Appellant's bid pursuant to CUC-PR § 4-101 (2)(c).

APPEAL NO. BP-A039

RNV Corporation's Appeal of the CUC Executive Director's Protest Decision on CUC-IFB-02-026 - Beach Road Sewer System Upgrade, Phase II-Part A

On August 8, 2003, RNV Corporation filed an Appeal with the Office of the

Public Auditor (OPA) pertaining to the Commonwealth Utilities Corporation (CUC) Executive Director's denial of RNV's protest over the contract procurement of the Beach Road Sewer System Upgrade. OPA found that RNV did not extend its time for acceptance of its original bid and specifically refused to do so, making the Corporation ineligible for award under the IFB. Therefore, OPA affirmed the Decision of the Executive Director not to award the contract to RNV.

APPEAL NO. BP-A038

Appeal Decision Pertaining to CUC-RFP-03-015, Solicitation to Supply Fuel to CUC Power Plants on Saipan, Tinian and Rota

On July 11, 2003, Pacific Petroleum (PP), on behalf of SK Shipping, filed and Appeal with Office of the Public Auditor (OPA) pertaining to the Commonwealth Utilities Corporation (CUC) Executive Director's denial of a protest regarding CUC-RFP-03-015. OPA found that PP did not conform to the requirements of the CUC-PR in filing an appeal on behalf of SK. It was also determined that SK's proposal was non-conforming to the RFP and the RFP specifications. Furthermore, OPA found that CUC did not violate the CUC-PR by rejecting SK's proposal. The Appeal was denied.



APPEAL NO. BP-A037

Appeal Filed by Fabriclean of the CNMI, Inc. (Fabriclean) on P&S Protest Decision No. 03-006-Laundry Services for the Commonwealth Health Center under Request for Proposal (RFP) 03-CHC-0041.

On June 27, 2003, Fabriclean of the CNMI, Inc. (Fabriclean) filed an Appeal with the Office of the Public Auditor (OPA) over the denial of its protest by the Acting Secretary of Finance (Secretary) regarding the solicitation of laundry services for the Commonwealth Health Center (CHC). On June 19, 2003, P&S Protest Decision 03-006 was issued by the Secretary upholding the Evaluation Team’s decision. In its Appeal, Fabriclean raised issues regarding the award to Topline, including questioning the responsibility determination and alleging “inside information” was provided to Topline. In its decision denying the Appeal, OPA found that there was insufficient evidence that the procurement process was compromised through the divulgence of “inside information.” OPA also determined that no bad faith or fraud was shown.

* * *

APPEAL NO. BP-A036

Appeal Filed by Casa de Felipe on the P&S Protest Decision No. 03-004 - Manpower Services for the Commonwealth Health Center (CHC) Under Request for Proposal RFP02-CHC-0092 (RFP).

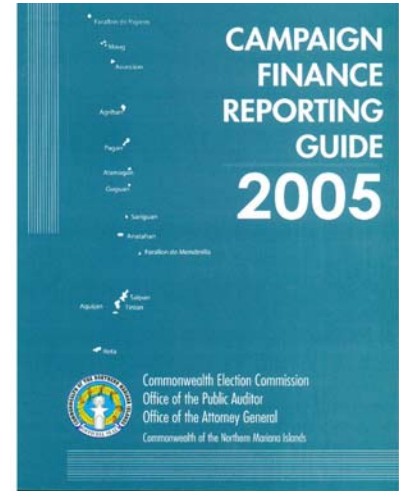
On April 7, 2003, Casa de Felipe (Casa) filed its Appeal from the Final Decision of the Director (“Appeal”) with the Public Auditor. The Appeal sets forth four (4) issues for determination, three of which centered on the role of business

ethics and/or integrity in the procurement decision and the fourth involved due process. OPA found that: responsibility determinations of other proposers were not relevant to the Appeal; Casa’s due process rights were not violated by the incident; rejection of Casa’s proposal was not made in bad faith and was not erroneous; and that consideration of the sole proprietor’s record of integrity and business ethics was not unreasonable.



OPA Develops Guide for Candidates and Political Parties

The Election Reform Act of 2000 introduced dramatic changes on how political campaigns are to be regulated and imposes severe penalties on political parties, candidates and their treasurers for violations of the law. The act also mandates that OPA monitor all campaign contributions and expenditures. To assist the public in understanding these new changes and restrictions, OPA developed a comprehensive manual, the Campaign Finance Reporting Guide 2005. This guide clarifies these new responsibilities and restrictions to candidates and their treasurers and provides assistance on how to complete the required campaign finance reports. OPA also conducted many presentations on Saipan, Tinian and Rota to explain directly to the candidates and treasurers the details of the new law’s requirements and restrictions. At the request of the CNMI Election Commission, in 2005 OPA released a special report on each candidate’s compliance with the new Election Reform Act.

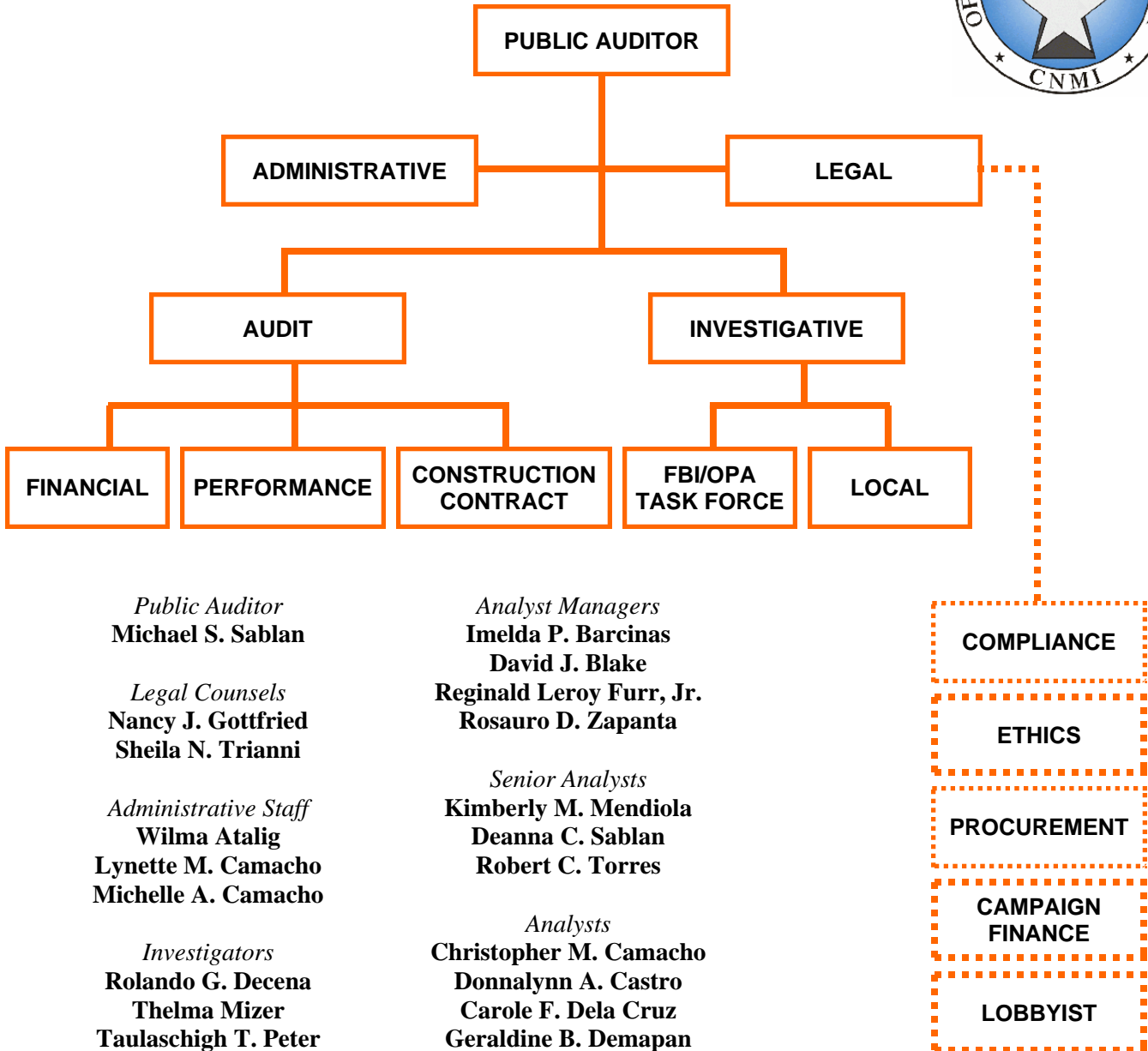


Educating the Public on the Ethics Act

A primary responsibility of OPA is to enforce the Government Ethics Code Act of 1992, which is one of the strictest in the nation. Because we recognize many individuals do not fully understand the Ethics Act, OPA conducted more than 145 presentations in the past three years on Saipan, Tinian and Rota to ensure government agency and employee compliance with its provisions. Agencies and employees were also provided five brochures developed by OPA that address: 1) Conflicts of Interest, 2) Gifts and Gratuities, 3) Complaints on Ethics Violations, 4) Political Activity, and 5) Filing of Financial Disclosure Statements. Under the act, all elected officials and individuals appointed by the Governor to public boards and commissions are required to file annual confidential financial disclosure statements to avoid possible conflicts of interest. OPA’s Ethics Unit continued to vigorously implement all financial disclosure requirements of the Ethics Act to ensure compliance by officials and appointees. OPA is confident these ongoing efforts will help increase awareness and reduce the number of ethics violations.



ORGANIZATIONAL CHART



Public Auditor
Michael S. Sablan

Legal Counsels
Nancy J. Gottfried
Sheila N. Trianni

Administrative Staff
Wilma Atalig
Lynette M. Camacho
Michelle A. Camacho

Investigators
Rolando G. Decena
Thelma Mizer
Taulaschigh T. Peter

Intern Analyst/IT
Everly M. Pangilinan

Analyst Managers
Imelda P. Barcinas
David J. Blake
Reginald Leroy Furr, Jr.
Rosauro D. Zapanta

Senior Analysts
Kimberly M. Mendiola
Deanna C. Sablan
Robert C. Torres

Analysts
Christopher M. Camacho
Donnalynn A. Castro
Carole F. Dela Cruz
Geraldine B. Demapan
Claudine DLC. Diaz
Velma A. Hofschneider
Larrisa C. Larson
Derek T. Sasamoto
Juan Diego V. Tenorio



HUMAN RESOURCES

Investing in Resident Professionals

Recruiting and training is a large part of OPA's effort to develop resident audit professionals and we have concurrent training programs for this endeavor: 1) the OPA Internship Program; 2) traditional classroom education, where we invite audit professionals from outside to conduct workshops and training for OPA as well as other government agencies; and, 3) participation in technical conferences in the U.S. mainland. We were fortunate to secure outside funding for these efforts with only a nominal cost to the CNMI. Many hours of valuable training and resources were provided by the Department of Interior's OIA, the U.S. Department of Agriculture Graduate School, Office of the Inspector General (OIG), and the South Pacific Association of Supreme Audit Institutions (SPASAI).

The most effective program has been under the OPA-OIG-OIA Auditor Training Program that started in December 2002. In 2003 and 2004 OPA sent four audit staff to the OIG office in Sacramento for six to twelve weeks to learn to apply audit concepts and techniques on actual audits under the supervision of seasoned Federal OIG auditors. In late 2004 the training program was expanded to GAO and its Seattle office where two OPA audit staff received similar training. In 2005 OPA sent two more audit staff to the OIG offices in Denver and Sacramento for training. Investing in our own employees through these programs has proven very successful and is reflected with the promotion of four OPA participants in 2005: one advanced to manager

and three to senior audit positions. OPA is deeply indebted to OIA, OIG and GAO for providing this special training for our resident audit staff.

Enhancing Credibility through Certification

Over the past three years, all OPA staff have been encouraged to work towards achieving recognized professional certification, such as Certificates in Government Financial Management (CGFM), Certificates in Internal Auditing (CIA), Certificates in Government Audit Professionals (CGAP), and Certificates in Fraud Examination (CFE), among others. Professional certification enhances an individual's credibility since it involves passing a rigorous examination that tests one's mastery of a technical field. It also requires continuing education to ensure a professional's skills and expertise are up-to-date, and adherence to a code of professional conduct to assure the public we serve that unethical and unprofessional behavior will not be tolerated. Certification also enhances OPA's credibility as a professional organization, which is critical, given the mission we must fulfill. OPA is very proud that seven resident staff members have already earned professional certification, and we remain confident that other staff members will also succeed.

Since 2003, OPA has reached out to other CNMI government agencies and shared its technical training program and assisted their participants in pursuing professional certification. The training was funded by DOI's Office of Insular Affairs with the support from its Inspector General, the Association of Government Accountants, and the USDA Graduate School.

Promoting from Within



Imelda Pinaula Barcinas, an analyst at OPA since December 1997, was promoted to Analyst Manager. A 1997 graduate of Hawaii's

Chaminade University, she joined OPA after working briefly at the Department of Commerce. In her new capacity, she will join three other OPA managers in supervising other analysts conducting audits. She is the first to be promoted to this important position from within OPA's ranks and is the only female Analyst Manager at OPA.



Robert Camacho Torres was promoted to Senior Analyst. A graduate of the University of Nevada at Las Vegas, he has been an analyst at

OPA since 2002, where he will now supervise and assist newer analysts. His audit training included 90-days of on-the-job training at DOI's OIG, and last year he was awarded the Institute of Internal Auditors Certified Government Auditing Professional (CGAP) designation, a first for the CNMI. The exam reflects the current state-of-the-art in internal auditing and evaluates technical competence in important subject areas related to internal auditing.

HUMAN RESOURCES



Kimberly Manglona Mendiola was promoted to the position of Senior Analyst. She has been at OPA since 2002, and recently became the

first CNMI resident to be designated a Certified Internal Auditor (CIA) by the Institute of Internal Auditors. The prestigious and internally recognized "CIA" designation is awarded to audit professionals who have met the rigorous requirements of the Institute's Certified Internal Auditor Program, including a challenging four-part examination, as well as high standards of character, education, and experience. Of more than 21,000 candidates who took the exam, she was one of approximately 3,300 individuals who met the examination requirement, which reflects the state-of-the-art in internal auditing and evaluates technical competence in related areas such as financial and managerial accounting, finance, economics, information technology, fraud and other areas.

Deanna Castro Sablan, an Analyst at OPA since 2003, was promoted to the position of Senior Analyst. A graduate of California State



University at Fresno, she worked for two years at the Hong Kong & Shanghai Bank, and later taught at the CNMI Public School System for four years prior to joining

OPA as an analyst. In her new capacity, she will supervise and assist newer analysts.



Recognizing our Commitment to Public Service

Robert Camacho Torres: OPA's 2004 Employee of the Year

Robert Camacho Torres was nominated as OPA's 2004 Employee of the Year for his rapid advancement in becoming a valued audit staff member with contributions far beyond his age and experience. In his second year on-the-job, Robert quickly advanced beyond the training stage to make very significant contributions involving three major performance audits. His creative input, analytical skills and ideas directly led to significant results in evaluating large amounts of data and producing solutions. For example, when his manager was off-island for medical reasons, Robert became the key staff member throughout a major audit and helped plan, conduct, analyze data, and was instrumental in drafting a high quality audit report that led to a major policy change involving the hiring of nurses. A leader by example, Robert's determination, commitment and initiative inspires the rest of the staff to work harder. As a result of his efficiency, he volunteers for additional work at OPA and assists others throughout OPA's organization. In his spare time, Robert continues to challenge himself by taking advanced accounting courses at the Northern Marianas College in preparation for the Certified Internal Auditor (CIA) examination.

Kimberly Manglona Mendiola: OPA's 2005 Government Employee of the Year

In September, Kimberly M. Mendiola was designated the 2005 Government Employee of the Year by all CNMI departments and agencies during the annual Labor Day celebration. An employee of OPA since May 2002, she graduated from the University of Hawaii and is now pursuing a master's degree in accounting. Kimberly has been recognized by resolutions from the CNMI Senate, House of Representatives, and the Saipan Municipal Council. Public Auditor Mike Sablan said she has brought distinction and recognition to OPA and the accountability profession. "Kimberly has brought great pride to her family and friends, and to the CNMI Office of the Public Auditor." She also serves as the president of the NMI AGA Chapter, which she has revitalized by improving the organization's training and educational opportunities for local residents in the field of government accounting.



Kimberly M. Mendiola and Robert C. Torres with family and members of the Senate during the presentation of Resolutions



HUMAN RESOURCES

Rosauro Zapanta: Leadership Award of the Year Nominee



Rosauro (Ross) D. Zapanta, a 21-year veteran at the Office of Public Auditor, was nominated to receive the 2005 CNMI Leadership Award of the Year. An Analyst Manager with vast institutional knowledge and superior management skills, Ross serves as an excellent role model. With his leadership experience and reputation, Ross is a mentor to OPA staff, including other managers, who seek him out for advice and guidance. Not only does Ross exemplify leadership at OPA, he is also steadfast in fostering youth interest in the sport of bowling by conducting youth bowling programs. Ross was formally recognized for his contribution, dedication and inspiration to our youth through House Resolution No. 14-107. "It is our belief that through Ross' accomplishments at OPA and his inspiration to our youth, he exhibits the qualities of a true leader."

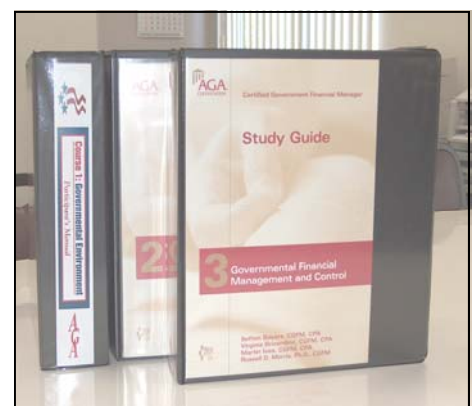
Michael S. Sablan: National President's Award

Public Auditor Michael Sablan was awarded the prestigious National President's Award of the Association of Government Accountants. He was commended for outstanding leadership, with special recognition for advancing the certified government financial management (CGFM) certification and AGA education programs. "This award is a reflection of all the managers and staff at OPA working together on capacity-building initiatives," said Sablan. Since his appointment as Public Auditor in 2000, he has implemented a rigorous training program for resident professionals at OPA, in addition to on-the-job training initiatives for staff in partnership with the OIG, GAO and the Department of Interior's OIA.

In January and May 2005, OPA also brought the Certified Government Financial Manager courses to the CNMI for the first time through a \$40,000 grant from OIA. CGFM is the standard of education, experience and ethics by which government financial management professionals are measured, and is considered a key step in implementing the CNMI Financial Gatekeeper Initiative being developed by OPA with the support of the CNMI Department of Finance, Office of Management and Budget, Office of Personnel Management, and the Civil Service Commission. Under his tenure, OPA transitioned from a staff of 27 nonresidents in 2000, to only one nonresident staff and 25 professional resident staff in 2005.



AGA National President's Award



CGFM study guides



HUMAN RESOURCES

Internship Program Produces First Graduate



In May 2001, OPA implemented an internship program to help recruit, train and develop proficient resident auditors. The program includes audit and related training, with time-off to obtain a degree from Northern Marianas College under a special tuition waiver program. The effort has been a success with the anticipated graduation in December 2005 of our first intern, Mr. Everly M. Pangilinan, who will be qualified to advance to analyst level. After years of maintaining a heavy load at college and at work, he has made all of us very proud for becoming OPA's first graduate intern. He is responsible for maintaining the OPA information system, and after graduation will be assigned to participate in audit engagements which will involve complicated Information Technology (IT) analyses. As part of our public service mission, we will provide our interns with the necessary job skills, training and education to fill positions within OPA in accordance with the Resident Manpower Training mandate in Public Law 10-4.

Building Motivation in the Workplace

Experience has proven that an organization needs far more than just money to attract and retain good staff and motivate them to excel. We at OPA continue to provide our staff with a work environment that,

- acknowledges personal and family responsibilities;
- recognizes the importance of creating a comfortable atmosphere conducive to working; and,
- shares the value of professional training opportunities.

Toward this end, our staff is given flexibility in their work schedules to allow them to balance their work responsibilities with their personal responsibilities, which is a valuable tool for motivation. Thanks largely to furniture and equipment donated by DOI's OIG office, the computers and spacious work stations for our staff are among the best in the CNMI. In addition, our IT network and website enhances efficiency in the work we do, and communicates the results of our work to the public we serve. More importantly, we recognize the importance of providing our staff with continuing professional education. Each year OPA staff members receive more than 100 hours of training, with approximately 90% of the costs paid by Federal grants and our membership in the Association of Pacific Island Public Auditors. Since 2002, eight OPA auditors have worked at OIG offices and at GAO for extended periods. Each returned with valuable technical skills that enhanced the work we do in meeting our audit and



USDA Graduate School Leadership Skills for Non-Supervisors Training conducted by Jerry Nance (far left) with participants from various government agencies (June 2005)

investigation responsibilities. This on-the-job training with Federal auditors has provided significant benefits and will continue to in the years ahead.



Top: Staff workstation
Bottom: Analyst "JD" Tenorio in his workstation





Independent Review Lauds OPA's High Standards

The Association of Pacific Islands Public Auditors (APIPA) gave its highest possible rating to OPA in December 2004 following an external quality control "peer review" of the office. A peer review team consisting of Yap Public Auditor Gertrude Gootinan, Marshall Islands Auditor General Jean Tonyokwe, and APIPA Technical Consultant Charles Hester commended OPA for "exemplifying the highest standards of the auditing profession." Government auditing standards promulgated by the U.S. Comptroller General require government audit agencies to undergo an independent external quality control review every three years. All OPA audit reports issued between January 1, 2001, and September 30, 2004, and its system of internal quality control in place during this period were reviewed by the peer review team. Public Auditor Michael Sablan credited his managers and staff for OPA's high marks, saying: "This is a reflection of their collective dedication to ensuring adherence to established standards." He also gave special recognition to new OPA audit staff

hired since the last peer review in 2001: "I am particularly proud of our new staff. Most of them have been with the office less than three years, but each of them came with a solid educational foundation, trained hard to understand auditing standards, and worked diligently to apply the standards in their work. The results of this independent review have proven their capabilities and enhanced OPA's credibility."

Managing OPA's Finances

Constitutional and statutory provisions guarantee funding for OPA. Pursuant to 1 CMC §7831, one percent of all local appropriations is withheld for the office's operations. While this funding guarantee has averaged approximately \$3.4 million a year, OPA's budget submissions have historically been significantly less.

In FY 2003 and in FY 2004, OPA's funding level was established at \$2.23 million. Actual annual expenditures, however, were maintained at \$2.01 million through cost-cutting measures in the areas of personnel costs and office rental expenditures. In addition, Federal

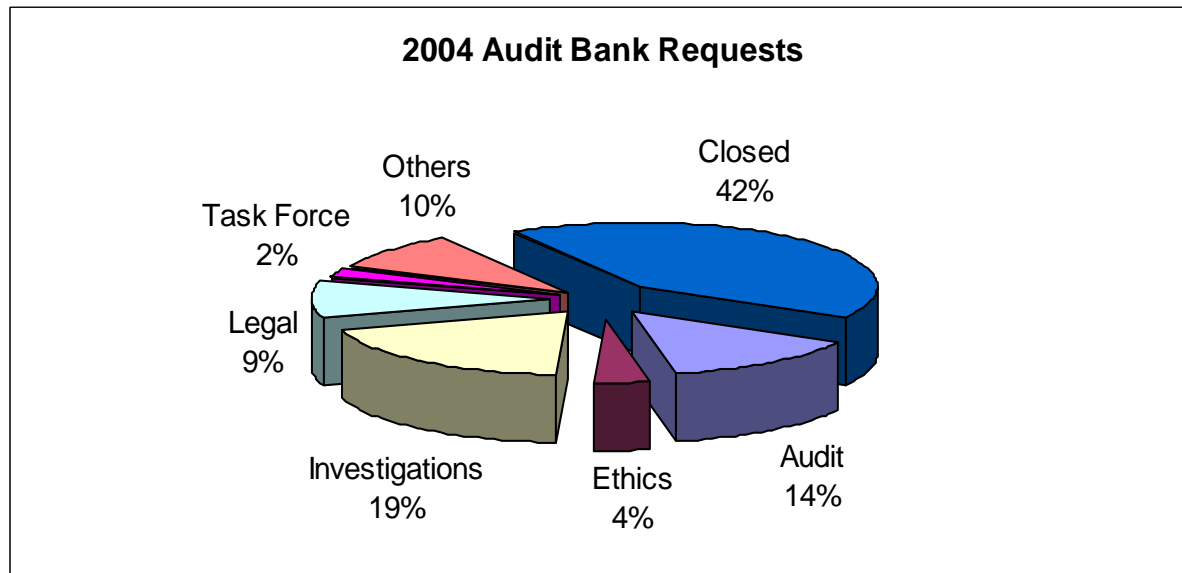
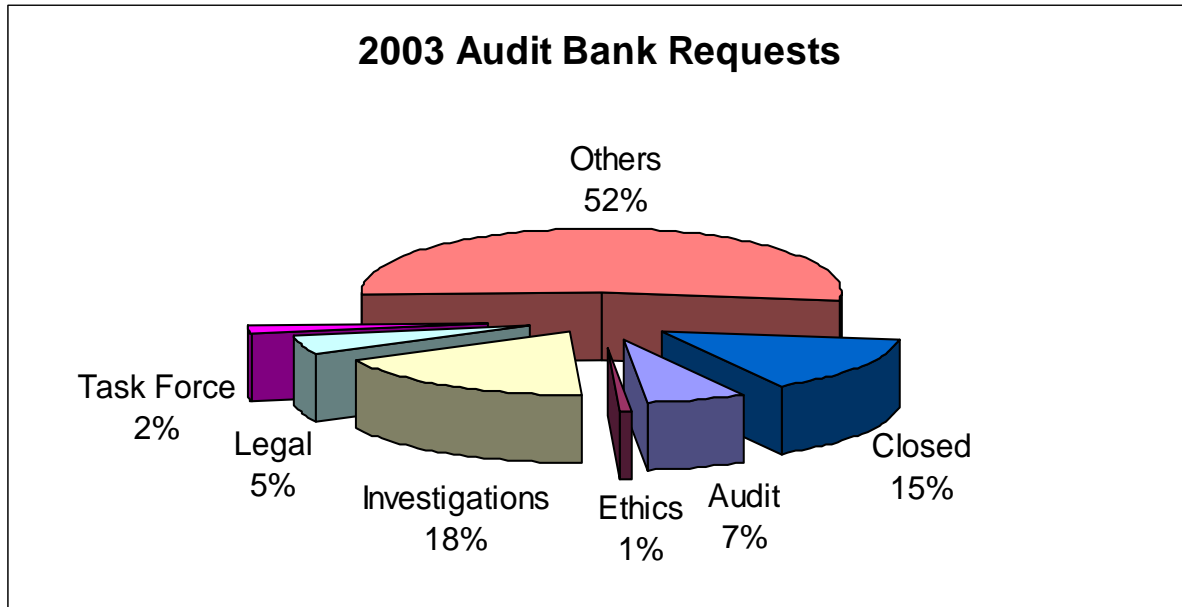
grants and other forms of assistance totaling over \$200,000 allowed OPA to tap non local resources for critical staff development and training programs.

In total, wages and salaries comprise 61% of OPA's budget. By function, OPA's resources are allocated as follows: Audit – 54%, Investigations – 18%, Administrative/Legal – 20%, and Compliance – 8%.

"Public office is a public trust, the authority and opportunities of which must be used as absolutely as the public moneys for the public benefit, and not for the purposes of any individual or party."

Dorman Bridgman Eaton

APPENDIX A - Audit Bank Requests By Year and Type



APPENDIX B - Independent CPA Firm Audits

A. AUDIT REPORTS ISSUED

AUDITEE	AUDITOR	TYPE OF AUDIT	REPORT DATE
Commonwealth Development Authority	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2002	January 10, 2003
Commonwealth Ports Authority	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2002	January 10, 2003
Marianas Visitors Authority	Burger & Comer, PC	Financial Statements and Independent Auditor's Report in Accordance with Government Auditing Standards for FY 2002	February 18, 2003
Karidat (A Nonprofit Organization)	J. Scott Magliari & Company	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2002 and FY 2001	February 19, 2003
Marianas Public Lands Authority	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with Government Auditing Standards for FY 2002	May 28, 2003
Public School System	J. Scott Magliari & Company	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2001	May 29, 2003
Public School System	J. Scott Magliari & Company	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2002	July 11, 2003
Northern Marianas College	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2001	July 18, 2003
Northern Marianas College	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2002	August 29, 2003
Northern Mariana Islands Retirement Fund / Workers' Compensation Commission / Group Health and Life Insurance Trust Fund	J. Scott Magliari & Company	Financial Statements and Independent Auditor's Report in Accordance with Government Auditing Standards for FY 2002	September 29, 2003



APPENDIX B - Independent CPA Firm Audits

A. AUDIT REPORTS ISSUED (cont.)

AUDITEE	AUDITOR	TYPE OF AUDIT	REPORT DATE
CNMI Government	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2002	October 14, 2003
Commonwealth Development Authority	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2003	November 21, 2003
Commonwealth Ports Authority	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2003	November 21, 2003
Northern Marianas College	Deloitte Touche Tohmatsu	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2003	January 23, 2004
Marianas Visitors Authority	Burger & Comer, PC	Financial Statements and Independent Auditor's Report in Accordance with Government Auditing Standards for FY 2003	February 11, 2004
Karidat (A Nonprofit Corporation)	J. Scott Magliari & Company	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2003 and FY 2002	March 5, 2004
Public School System	J. Scott Magliari & Company	Financial Statements and Independent Auditor's Report in Accordance with OMB Circular A-133 for FY 2003 and FY 2002	March 26, 2004
Northern Marianas Islands Retirement Fund / Workers' Compensation Commission / Group Health and Life Insurance Trust Fund	J. Scott Magliari & Company	Reports on the Audit of Financial Statements in Accordance with Government Auditing Standards for FY 2003 and FY 2002	April 9, 2004



APPENDIX C - Independent CPA Firm Audits

B. AUDITS IN PROGRESS

AUDITEE	AUDITOR	TYPE OF AUDIT	STATUS
CNMI Government	Deloitte & Touche	Financial in accordance with OMB Circular A_133 and report on internal control and on compliance over financial reporting in accordance with GAS for FY 2000.	Audit is ongoing.
Commonwealth Development Authority	Deloitte & Touche	Financial in accordance with OMB Circular A_133 and report on internal control and on compliance over financial reporting in accordance with GAS for FY 2000.	Draft Audit Report was issued.*
Commonwealth Utilities Corporation	Deloitte & Touche	Financial in accordance with OMB Circular A_133 and report on internal control and on compliance over financial reporting in accordance with GAS for FY 1999.	Draft Audit Report was issued
Marianas Public Land Trust	Deloitte & Touche	Financial in accordance with OMB Circular A_133 and report on internal control and on compliance over financial reporting in accordance with GAS for FY 2000.	Draft Audit Report was issued.*
Marianas Visitors Authority	Burger & Comer, P.C.	Financial in accordance with OMB Circular A_133 and report on internal control and on compliance over financial reporting in accordance with GAS for FY 2000.	Draft Audit Report was issued.*
NMI Health & Life Insurance Trust Fund	Burger & Comer, P.C.	Financial and report on internal control and on compliance over financial reporting in accordance with GAS for FY 2000.	Audit is ongoing.
Northern Mariana Islands Retirement Fund	Burger & Comer, P.C.	Financial and report on internal control and on compliance over financial reporting in accordance with GAS for FY 2000.	Audit is ongoing.
Public School System	Deloitte & Touche	Financial and compliance audit in accordance with OMB Circular A_133 for FY 1997.	Audit report is being finalized by Deloitte.
Public School System	J.Scott Magliari & Co.	Financial and compliance audit in accordance with OMB Circular A_133 for FY 1998.	Audit is ongoing.
Worker's Compensation Commission	Burger & Comer, P.C.	Financial and report on internal control and on compliance over financial reporting in accordance with GAS for FY 2000.	Audit is ongoing.

* Final audit report was already issued prior to the release of this annual report.



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