



Office of the Public Auditor

Audit of Cash on Tinian and Rota

The Office of the Public Auditor (OPA) conducted an audit to determine if daily collections, change funds, and petty cash funds (if any) at various Department of Finance (DOF), Mayor's Office, and Municipal Treasurer collection points on the islands of Tinian and Rota are properly accounted for. To achieve our audit objective, we conducted surprise cash counts on October 7, 2021 and October 8, 2021. Personnel at all locations were cooperative and accommodating.

Surprise cash counts were conducted at the following collection points:

TINIAN

- Tinian Mayor's Office – Planning & Budget Office
- Tinian Municipal Treasurer – Dog Control Program
- Tinian Municipal Treasurer – Municipal ID Program
- Department of Lands & Natural Resources
- DOF – Division of Revenue and Taxation
- DOF – Division of Treasury
- DOF – Customs Services – Main Office
- DOF – Customs Services – U.S. Post Office
- DOF – Customs Services – Tinian Airport



ROTA

- Rota Municipal Treasurer
- DOF – Division of Revenue and Taxation
- DOF – Division of Treasury
- DOF – Customs Services – Seaport
- DOF – Customs Services – Airport
- DOF – Customs Services – Main Office

Cash counts at the following locations did not result in any discrepancies:

TINIAN

- Tinian Municipal Treasurer – Dog Control Program
- Tinian Municipal Treasurer – Municipal ID Program
- DOF – Division of Revenue and Taxation
- DOF – Division of Treasury
- DOF – Customs Services – Main Office

ROTA

- Rota Municipal Treasurer
- DOF – Division of Revenue and Taxation
- DOF – Division of Treasury
- DOF – Customs Services – Main Office



Office of the Public Auditor

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Observations and Recommendations

The audit resulted in no significant discrepancies. However, we noted the following observations and recommendations which are summarized in the sections below.

Collection Points

Collection points are established by some agencies to receive payment for services provided. These agencies are physically located within the same building as the DOF – Division of Treasury collection point. We recommend collection points within the same building be consolidated to provide a central collection point for efficiency and better use of resources.

Petty Cash Funds

The use and replenishment of petty cash funds are not properly documented or reviewed by a supervisor in a timely manner. We noted an employee used her personal funds to cover a shortage in the petty cash fund. Documentation of the shortfall and subsequent reimbursement to the employee was not documented. We recommend petty cash funds be monitored, replenished in a timely manner, transactions properly documented, reviews and logs, if applicable, are properly filled out.

Daily Collection Reports

Daily collection reports are not prepared or maintained at a collection point utilizing manual receipts. For the same location, a supervisory review is not performed on the collections and deposits on a daily basis. We recommend daily collection reports and/or daily cash reports be prepared for locations utilizing manual receipts and evidenced as reviewed and approved by a supervisor on a daily basis.

Remittance of Collections

One collection point remits daily collections to DOF – Division of Treasury at the end of each month. We recommend all collection points remit funds to DOF – Division of Treasury on a daily basis.

Deposits

At one collection point, the validated deposit slips are filed separately from the collection reports. Further, supervisory review of the deposit is only performed when the bank statements are received from the bank. We recommend validated deposit slips be attached to collection reports and evidenced as reviewed by a supervisor or manager after the actual deposit was made.

Change Funds

A total overage of \$0.59 from three collection points was noted during the cash count. The overages resulted from the lack of change funds to remit amounts due back to customers. We recommend a minimum change fund be established and accounted for at all locations.

Access to Records and Documents

During the cash count at one agency, the supporting documents for the day's collection was not readily provided to OPA personnel. The agency staff requested for a written authorization and/or request be provided to the agency. We recommend all CNMI Government departments and agencies educate its employees on OPA's purview to prevent delay in performing audit, review, or survey procedures.

A surprise cash count is one control procedure that management can implement to deter, detect, and prevent misappropriation of funds or other irregularities. We recommend policies and procedures for the accountability of cash be established and implemented. The efficiency of current procedures should also be evaluated to consider the convenience of the paying public and the use of limited government resources. In an effort to maintain and monitor the accountability of cash, we plan to perform cash counts periodically at various locations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX 1. LETTER TO AUDITEE (Dec. 22, 2021)



Office of the Public Auditor

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December 22, 2021

David Atalig
Secretary
Department of Finance
P.O. Box 5234 CHRB
Saipan, MP 96950

Audit of Cash on Tinian and Rota

Dear Secretary Atalig:

The Office of the Public Auditor (OPA) conducted an audit to determine if daily collections, change funds, and petty cash funds (if any) at various Department of Finance (DOF), Mayor's Office, and Municipal Treasurer collection points on the islands of Tinian and Rota are properly accounted for. To achieve our audit objective, we conducted surprise cash counts at various collection points on Tinian and Rota on October 7, 2021 and October 8, 2021. Personnel at all locations were cooperative and accommodating.

Procedures

At each location, we requested for a printout of the pre-close cashier's deposit and reconciliation summary report (CDRSR), where applicable, from the JDE system. Collection points not using the JDE system provided collection reports from the Munis system or manual cash receipts. The CDRSR, collection reports and manual receipts were used to establish the cashier's total accountability against the physical cash, checks and credit card collections. The cash count procedures were performed in the presence of all designated cashiers/custodians.

Results

The audit resulted in no significant discrepancies. However, we noted the following observations which are summarized in the sections below.

Tinian

1. Cash counts were conducted at the following collection points:

Collection Point	Date of Count	Accounting System
Tinian Mayor's Office – Planning & Budget Office	October 7, 2021	Petty Cash Log (Excel)
Tinian Municipal Treasurer – Dog Control Program	October 8, 2021	Manual Receipt
Tinian Municipal Treasurer – Municipal ID Program	October 8, 2021	Manual Receipt
Department of Lands & Natural Resources	October 8, 2021	Manual Receipt
DOF – Division of Revenue and Taxation	October 8, 2021	JDE - CDRSR

DOF - Division of Treasury	October 8, 2021	Munis - Collection Report
DOF - Customs Services - Main Office	October 8, 2021	Munis - Collection Report
DOF - Customs Services - U.S. Post Office	October 8, 2021	Munis - Collection Report
DOF - Customs Services - Tinian Airport	October 8, 2021	Munis - Collection Report

2. We did not perform cash counts for DOF Customs Services located at the U.S. Post Office and the Tinian International Airport since there were no collections at the time of our count.
3. On October 7, 2021, we conducted a cash count at the Office of Planning & Budget (P&B) of their petty cash fund. Our cash count resulted in an overage of \$.05 over P&B's Petty Cash Log. We noted that the approval column of the Petty Cash Log dated 9/7/21 - 10/7/21 was not completely filled out. The custodian also informed us that at one point, she had reimbursed herself \$6.07 for a payment she made to cover a shortfall of petty cash funds. We reviewed the relative Petty Cash Log and noted an entry labeled "Forward Balance from TMT/ARP21-013" but it did not include details or reference to the reimbursement.
4. On October 8, 2021, we conducted a cash count at the Department of Lands & Natural Resources (DLNR) collection point. Our cash count resulted in an overage of \$.50 when compared to the total manual receipts issued for the day. According to the cashier, the overage is from a customer who did not want his/her change. Additionally, we were informed by the cashier that daily collections are remitted to DOF - Division of Treasury at the end of each month.
5. The DOF Customs Services and DLNR collection points are in the same building as DOF - Division of Treasury. The cashier windows for DLNR and DOF - Division of Treasury are directly across each other.
6. Cash counts at the following locations did not result in any discrepancies:
 - Tinian Municipal Treasurer - Dog Control Program
 - Tinian Municipal Treasurer - Municipal ID Program
 - DOF - Division of Revenue and Taxation
 - DOF - Division of Treasury
 - DOF - Customs Services - Main Office
7. None of the collection points maintained a change fund.

Rota

1. Cash counts were conducted at the following collection points:

Collection Point	Date of Count	Accounting System
Rota Municipal Treasurer	October 7, 2021	Manual Receipt
DOF - Division of Revenue and Taxation	October 7, 2021	JDE - CDRSR
DOF - Division of Treasury	October 7, 2021	Munis - Collection Report
DOF - Customs Services - Scaport	October 7, 2021	JDE - CDRSR

DOF – Customs Services – Airport	October 7, 2021	JDE - CDRSR
DOF – Customs Services – Main Office	October 7, 2021	JDE - CDRSR

2. We conducted a cash count at the DOF Customs Services located at the Rota International Airport which resulted in an overage of \$.04. According to the cashier, the overage is from a customer who did not want his/her change.
3. We did not perform a cash count for DOF – Customs Services – Seaport since there were no collections at the time of our count.
4. Cash counts at the following locations did not result in any discrepancies:
 - Rota Municipal Treasurer
 - DOF – Division of Revenue and Taxation
 - DOF – Division of Treasury
 - DOF – Customs Services – Main Office
5. A DOF Rota employee is also the cashier for the Rota Municipal Treasury (RMT) who issues manual receipts to RMT customers. A daily collections report, however, is not prepared or maintained to account for RMT's collections. In addition, a supervisory review is not being performed on the collections and deposits on a daily basis.
6. None of the collection points maintained a change fund.

Based on our observations discussed above for Tinian and Rota, we recommend the following:

- (1) Consolidation of collection points located within the same building;
- (2) Petty cash funds be monitored, replenished in a timely manner, transactions properly documented and log completely filled out;
- (3) Collection points remit funds to DOF – Division of Treasury on a daily basis;
- (4) A minimum change fund be established and accounted for at all locations;
- (5) Collection reports and/or daily cash reports be prepared for locations utilizing manual receipts and are evidenced as reviewed and approved by a supervisor;
- (6) Validated deposit slips be attached to collection reports and evidenced as reviewed by a supervisor or manager; and
- (7) Educate employees on OPA mandate to prevent delay in performing audit procedures.

A surprise cash count is one control procedure that management can implement to deter, detect and prevent misappropriation of funds or other irregularities. We recommend policies and procedures for the accountability of cash be established and implemented. The efficiency of the

DOF Secretary David Atalig
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procedures should also be evaluated to consider the convenience of the paying public and the use of limited government resources. In an effort to maintain and monitor the accountability of cash, we plan to perform cash counts periodically at various locations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Thank you for your cooperation and assistance, and we look forward to working with you again. Should you have any questions, please do not hesitate to contact our office at (670) 322-6481/2.

Sincerely,

A handwritten signature in black ink, appearing to read 'KBP', is written over the typed name.

Kira B. Peter, CPA
Public Auditor

APPENDIX 2. LETTER TO AUDITEE (Oct. 28, 2021)



Office of the Public Auditor

Commonwealth of the Northern Mariana Islands
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October 28, 2021

David Atalig
Secretary
Department of Finance
P.O. Box 5234 CHRB
Saipan, MP 96950

Dear Secretary Atalig:

RE: Surprise Cash Count Results

The Office of the Public Auditor (OPA) performed surprise cash counts at various collection points on Tinian and Rota between October 6 and October 8, 2021. Personnel at all locations were cooperative and accommodating.

Procedures

At each location, we requested for a printout of the pre-close cashier's deposit and reconciliation summary report (CDRSR), where applicable, from the JDE system. Collection points not using the JDE system provided collection reports from the Munis system or manual cash receipts. The CDRSR, collection reports and manual receipts were used to establish the cashier's total accountability against the physical cash, checks and credit card collections. The cash count procedures were performed in the presence of all designated cashiers/custodians.

Results

The results of our surprise cash counts and observations are summarized in the sections below.

Tinian

1. Cash counts were conducted at the following collection points:

Collection Point	Date of Count	Accounting System
Tinian Mayor's Office – Planning & Budget Office	October 7, 2021	Petty Cash Log (Excel)
Tinian Municipal Treasurer – Dog Control Program	October 8, 2021	Manual Receipt
Tinian Municipal Treasurer – Municipal ID Program	October 8, 2021	Manual Receipt
Department of Lands & Natural Resources	October 8, 2021	Manual Receipt
DOF – Division of Treasury – BGRT	October 8, 2021	JDE - CDRSR
DOF – Division of Treasury – Simple Fees	October 8, 2021	Munis - Collection Report
DOF – Customs Services – Main Office	October 8, 2021	Munis - Collection Report
DOF – Customs Services – U.S. Post Office	October 8, 2021	Munis - Collection Report
DOF – Customs Services – Tinian Airport	October 8, 2021	Munis - Collection Report

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2. We did not perform cash counts for Department of Finance (DOF) Customs Services located at the U.S. Post Office and the Tinian International Airport since there were no collections at the time of our count.
3. On October 7, 2021, we conducted a cash count at the Office of Planning & Budget (P&B) of their petty cash fund. Our cash count resulted in an overage of \$.05 over P&B's Petty Cash Log. We noted that the approval column of the Petty Cash Log dated 9/7/21 – 10/7/21 was not completely filled out. The custodian also informed us that at one point, she had reimbursed herself \$6.07 for a payment she made to cover a shortfall of petty cash funds. We reviewed the relative Petty Cash Log and noted an entry labeled "Forward Balance from TMT/ARP21-013" but it did not include details or reference to the reimbursement.
4. On October 8, 2021, we conducted a cash count at the Department of Lands & Natural Resources (DLNR) collection point. Our cash count resulted in an overage of \$.50 when compared to the total manual receipts issued for the day. According to the cashier, the overage is from a customer who did not want his/her change. Prior to the cash count, we were informed by the cashier that daily collections are remitted to DOF - Division of Treasury at the end of each month.
5. The DOF Customs Services and DLNR collection points are in the same building as DOF – Division of Treasury. The cashier windows for DLNR and DOF - Division of Treasury are directly across each other.
6. Cash counts at the following locations did not result in any discrepancies:
 - Tinian Municipal Treasurer – Dog Control Program
 - Tinian Municipal Treasurer – Municipal ID Program
 - DOF – Division of Treasury – BGRT
 - DOF – Division of Treasury – Simple Fees
 - DOF – Customs Services – Main Office
7. None of the collection points maintained a change fund.

Rota

1. Cash counts were conducted at the following collection points:

Collection Point	Date of Count	Accounting System
Rota Municipal Treasurer	October 7, 2021	Manual Receipt
DOF – Rota	October 7, 2021	Munis - Collection Report
DOF – Division of Revenue and Taxation	October 7, 2021	JDE - CDRSR
DOF – Customs Services – Seaport	October 7, 2021	JDE - CDRSR
DOF – Customs Services – Airport	October 7, 2021	JDE - CDRSR
DOF – Customs Services – Main Office	October 7, 2021	JDE - CDRSR

2. We conducted a cash count at the Department of Finance (DOF) Customs Services located at the Rota International Airport which resulted in an overage of \$.04. According to the cashier, the overage is from a customer who did not want his/her change.
3. We did not perform a cash count for DOF – Customs Services – Scaport since there were no collections at the time of our count.
4. Cash counts at the following locations did not result in any discrepancies:
 - Rota Municipal Treasurer
 - DOF – Rota
 - DOF – Division of Revenue and Taxation
 - DOF – Customs Services – Main Office
5. A DOF Rota employee acts as the cashier for the Rota Municipal Treasury (RMT) who issues manual receipts to RMT customers. A daily collections report, however, is not prepared or maintained to account for the day's collections. In addition, a supervisory review is not being performed on the collections and deposits on a daily basis.
6. None of the collection points maintained a change fund.

Based on the results of our cash counts and observations discussed above for Tinian and Rota, we recommend the following:

- (1) Consolidation of collection points located within the same building;
- (2) Petty cash funds are monitored, replenished in a timely manner, transactions properly documented and log completely filled out;
- (3) Collection points remit funds to DOF – Division of Treasury on a daily basis;
- (4) A minimum change fund be established and accounted for at all locations;
- (5) Collection reports and/or daily cash reports be prepared for locations utilizing manual receipts and are evidenced as reviewed and approved by a supervisor;
- (6) Validated deposits slips be attached to collection reports and evidenced as reviewed by a supervisor or manager and
- (7) Educate employees on OPA mandate to prevent delay in performing audit procedure.

A surprise cash count is one control procedure that management can implement to deter, detect and prevent misappropriation of funds or other irregularities. In an effort to maintain accountability and monitor compliance with established policies and procedures, we plan to perform cash counts periodically at various locations. Thank you for your cooperation and

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assistance, and we look forward to working with you again. Should you have any questions, please do not hesitate to contact myself or Dora I. Deleon Guerrero at (670)-322-6481/82.

Sincerely,



Kina B. Peter, CPA
Public Auditor

APPENDIX 3. AUDITEE RESPONSE



Office of the Secretary Department of Finance

P. O. Box 5234 CHRBSAIPAN, MP 96950

TEL.: (670) 684-1100 FAX: (670) 684-1115



December 23, 2021

SFL 2022-043

Kina B. Peter, CPA
Public Auditor
Office of the Public Auditor
1236 Yap Drive, Capitol Hill
Saipan, MP 96950

Subject: Surprise Cash Count Results

Dear Mrs. Peter:

This letter is to formally respond to the results of the Office of the Public Auditor's (OPA) surprise cash counts performed at various location points within the islands of Tinian and Rota. Upon thorough review of the process and recommendations issued by the Office of the Public Auditor, we are glad that the results of this audit resulted in no significant discrepancies. The Department of Finance continues to strive for greater accountability and stronger procedures for the management of the public's funds and this audit serves as a crucial review of our efforts thus far. Still, the Department of Finance recognizes that greater improvement can be achieved and will take OPA's recommendation to improve procedures for better cash handling controls.

The Department of Finance has noted the recommendations provided and will work to further enhance our internal processes through the following action items:

1. Consolidate collection points located within the same building.
2. Monitor, replenish, document, and log transactions in a timely manner.
3. Remit collected funds to the CNMI Treasury on a daily basis.
4. Establish and account for minimum change funds for all locations.
5. Prepare collection reports and/or daily cash reports for all locations utilizing manual receipts. These reports require review and approval by a supervisor or manager.
6. Attach validated deposit slips to collection reports. These reports require review and approval by a supervisor or manager.
7. Educate employees on OPA's mandate to prevent delay in performing audit procedures.

The Department of Finance is honored to work with the CNMI Office of the Public Auditor in ensuring that we implement all the necessary controls and procedures to deter, detect, and prevent misappropriation of funds or other irregularities. We are grateful for the recommendations and the expertise provided by your office in improving the standards of accountability and fiscal management of our Commonwealth.

On behalf of the CNMI Department of Finance, I thank you for the opportunity to provide this letter. Should you have any questions or need assistance, please do not hesitate to contact us at 664-1100 or email via david.atalig@dof.gov.mp.

Respectfully,

A handwritten signature in blue ink, appearing to read 'D. Atalig', with a stylized flourish extending to the right.

David DLG. Atalig
Secretary of Finance